

Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

**BORROWING POWER OF THE
COMMODITY CREDIT CORPORATION**

*Library, Legal Branch
Legislative History Unit
Room 105-A*

**HEARING
BEFORE THE
COMMITTEE ON
AGRICULTURE AND FORESTRY
UNITED STATES SENATE
EIGHTY-THIRD CONGRESS**

SECOND SESSION

ON

S. 2714

**A BILL TO INCREASE THE BORROWING POWER
OF THE COMMODITY CREDIT
CORPORATION**

JANUARY 25, 1954

Printed for the use of the Committee on Agriculture and Forestry



**UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1954**

COMMITTEE ON AGRICULTURE AND FORESTRY

GEORGE D. AIKEN, Vermont, *Chairman*

MILTON R. YOUNG, North Dakota
EDWARD J. THYE, Minnesota
BOURKE B. HICKENLOOPER, Iowa
KARL E. MUNDT, South Dakota
JOHN J. WILLIAMS, Delaware
ANDREW F. SCHOEPPPEL, Kansas
HERMAN WELKER, Idaho

ALLEN J. ELLENDER, Louisiana
CLYDE R. HOEY, North Carolina
OLIN D. JOHNSTON, South Carolina
SPESSARD L. HOLLAND, Florida
CLINTON P. ANDERSON, New Mexico
JAMES O. EASTLAND, Mississippi
EARLE C. CLEMENTS, Kentucky

HARRY R. VARNEY, *Chief of Staff*
JAMES M. KENDALL, *Chief Clerk*

CONTENTS

Statement of—	Page
Beach, R. P., budget officer, Commodity Credit Corporation, United States Department of Agriculture.....	4
Gordon, Howard H., President, Commodity Credit Corporation, United States Department of Agriculture.....	4
Richards, Preston, Deputy Administrator, Commodity Stabilization Service, United States Department of Agriculture.....	4
Miscellaneous documents:	
S. 2714, 83d Congress.....	i
Letter from Secretary of Agriculture Ezra T. Benson, requesting enactment of S. 2714.....	2
Table, status of loans pooled for certificates of interest as of November 30, 1953.....	17
Table, computation of amount of certificates of interest to be issued..	17
Table, certificates of interest.....	17
Table, statement of certificate of interest financing, fiscal year 1954 and prior.....	23
Statement filed by the Department of Agriculture on price support levels determined on the basis of supply.....	42
Opinion of the Solicitor of the Department of Agriculture concerning relationship of financing operations of the Commodity Credit Corporation with the Treasury.....	45
Letter from Frank K. Woolley, legislative counsel, American Farm Bureau Federation.....	49
Letter from James G. Patton, president, National Farmers Union.....	49

BORROWING POWER OF THE COMMODITY CREDIT CORPORATION

MONDAY, JANUARY 25, 1954

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to notice, at 11 a. m., in room 324, Senate Office Building, Senator George D. Aiken (chairman) presiding.

Present: Senators Aiken (chairman), Young, Thyne, Hickenlooper, Williams, Schoeppel, Ellender, Hoey, Johnston, Holland, Anderson, Eastland, and Clements.

The CHAIRMAN. The committee will come to order. We have met this morning to consider S. 2714, a bill to increase the borrowing power of the Commodity Credit Corporation. This bill was introduced at the request of the Secretary of Agriculture. On January 14 the Secretary wrote a letter to the President of the Senate concerning the legislation and that letter and the bill will be inserted in the record at this point. I will not read it unless there is a demand for it.

(The documents referred to above are as follows:)

[S. 2714, 83d Cong., 2d sess.]

A BILL To increase the borrowing power of Commodity Credit Corporation

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 4 of the Act approved March 8, 1938 (52 Stat. 108), as amended, is amended by striking out "\$6,750,000,000" and inserting in lieu thereof "\$8,500,000,000".

SEC. 2. Section 4 (i) of the Commodity Credit Corporation Charter Act (62 Stat. 1070), as amended, is amended by striking out "\$6,750,000,000", and inserting in lieu thereof "\$8,500,000,000".

SEC. 3. This Act shall be effective July 1, 1954.

DEPARTMENT OF AGRICULTURE,
Washington, D. C., January 14, 1954.

The PRESIDENT OF THE SENATE,
United States Senate,

DEAR MR. PRESIDENT: This Department recommends the enactment of legislation to increase the borrowing authority of the Commodity Credit Corporation from \$6,750 million to \$8,500 million, effective July 1, 1954.

At the outset it should be emphasized that it is impossible to forecast with any degree of accuracy the requirements for borrowing authority necessary to fulfill the statutory obligations of the Commodity Credit Corporation either in total or within a given crop year. The obligations incurred or funds actually expended are largely determined by statutory requirements, yields from crops not yet planted, weather, future prices, and general prevailing economic conditions over which the Corporation has no control. Our best estimates indicate,

however, that this increase is necessary to maintain the stability of the Corporation and assure successful operation of present price-support legislation.

The increase in borrowing authority does not, in itself, commit the Commodity Credit Corporation to expend funds. It is rather an authorization. The Congress determines how the authorization will be used by prescribing in the statutes the price-support programs to be carried out. In this connection, early passage of the administration's proposed farm program is urged in order to reduce, as soon as possible, the demands on the Commodity Credit Corporation and the Treasury.

As of November 30, 1953, the Corporation had outstanding borrowings of \$4,148 million and it was obligated to purchase \$1,525 million of loans and certificates held by banks and other lending agencies participating in the loan programs of the Corporation. This made a total of \$5,673 million of its statutory borrowing power actually in use. It also had other obligations already contracted in the amount of \$259 million, some part of which will require additional borrowings to liquidate (such as purchase agreements, accounts payable, accrued liabilities, etc.) making a grand total of \$5,932 million of its borrowing authority in use as of November 30. This represents an increase of \$3 billion over similar obligations outstanding as of December 31, 1952. It is estimated that the Corporation will incur obligations totaling an additional \$0.8 billion by the end of February 1954, making its obligations outstanding as of that date total \$6.7 billion—an increase of \$3.8 during the 14-month period since January 1, 1953. Thus it may readily be seen that if obligations subsequent to February 1954 increase as in the preceding recent past, a borrowing authority of \$8.5 billion is definitely required.

There is attached a draft of a bill embodying the necessary amendments to existing legislation to accomplish an increase in the borrowing authority together with a statement indicating factors affecting use of the borrowing authority of the Commodity Credit Corporation. This latter statement may be helpful to the committee to which this proposal is referred.

The Bureau of the Budget advises that there is no objection to the submission of this proposed legislation to the Congress for its consideration.

Sincerely yours,

E. T. BENSON, *Secretary*.

Enclosure.

FACTORS AFFECTING USE OF THE BORROWING AUTHORITY OF THE COMMODITY CREDIT CORPORATION

Budget assumptions.—The Corporation's budget estimates for 1954 and 1955 are based on the general assumptions (a) that employment, production, and incomes will continue high through fiscal year 1955; (b) that prices, on the average, will not exceed the 1953 level; (c) that yields will be in line with recent averages; and (d) that acreage allotments and marketing quotas will be in effect on the 1954 crops of peanuts, certain kinds of tobacco, wheat, and cotton in accordance with existing legislation; and acreage allotments will be in effect on the 1954 crop of corn.

Supply and utilization.—On the basis of these assumptions estimates of the supply and utilization of individual commodities are made and these in turn become the significant factors upon which the estimated volume of price-support operations is predicated. With domestic disappearance of most commodities fairly stabilized, the two most dominating influences upon the level of price support operations are exports and production. However, seasonal price variations on individual commodities resulting from a variety of causes have a definite effect on the peak amount of funds invested in price-support operations any one time during a crop year.

Exports.—Declines in exports, primarily cotton and wheat, have already contributed to increasing stocks of these commodities owned or controlled by the Corporation. A continued low level of exports for these commodities will serve to intensify the problems of supporting prices of cotton and wheat. Rice is an important exception to the general decline in exports, due in part to a short crop in Japan. We are presently exporting nearly twice the volume of rice as was exported during the crop years 1947-50. Production has trended upward in line with the increased exports. Should these exports drop off appreciably it is reasonable to assume that the total decrease in exports would flow into price-support channels. To illustrate, a 40-percent decrease in exports—10 million hundredweight—could mean additional CCC loans of nearly \$50 million without giving any recognition to the additional effect such a development would have upon present prices.

Production.—It is estimated that unless an early cancellation of notes is made to restore the capital impairment of the Corporation and to reimburse it for International Wheat Agreement costs a maximum of approximately \$6.7 billion of the Corporation's borrowing authority will be in use during 1954 and \$7 billion in the fiscal year 1955. It should be emphasized, however, that this estimate for 1955 has been prepared from data included in the current budget estimates which are based on the assumptions "that yields would be in line with recent averages" and "that acreage allotments and marketing quotas will be in effect * * * in accordance with existing legislation." Actual yields per acre have been increasing steadily each year. Also, with acreage controls in effect for cotton, corn, and wheat, it may be assumed that producers will use more fertilizer and insecticides and select their best lands for the production of those crops upon which acreage allotments have been placed, thereby obtaining still higher yields. Under present legislation, the cotton allotment is set to produce 10 million bales of cotton with an average yield of 268 pounds of lint per acre—or 17,900,000 acres. If legislation is enacted which will increase the acreage allotment to around 21 million acres as is anticipated, production will increase accordingly. If it is assumed (a) that cotton acreage will be increased, (b) that yields of cotton, corn, and wheat will be in line with higher than average yields in recent years, and (c) that the increased supplies will go under price support, approximately \$1 billion would be added to the borrowing authority required. There is shown below a summary of the production and yield for the 1954 crops of cotton, corn, and wheat upon which the budget estimates are based, compared with estimated production and yield in the light of factors discussed above, and their possible effect upon the volume of price-support operations.

	Current budget estimates, fiscal year 1955		Estimates based on larger production		Increased price-support operations
	Yield per acre	Production	Yield per acre	Production	
Cotton ¹ -----	<i>Pounds</i> 281	<i>Bales</i> 10, 000, 000	<i>Bales</i> 307	<i>Bales</i> 12, 587, 000	\$414, 000, 000
Corn-----	<i>Bushels</i> 39.2	<i>Bushels</i> 3, 000, 000, 000	<i>Bushels</i> 42.2	<i>Bushels</i> 3, 234, 000, 000	374, 000, 000
Wheat-----	15.2	975, 000, 000	² 16.7	1, 065, 000, 000	198, 000, 000
Total-----					986, 000, 000

¹ Assumes legislation will be enacted increasing minimum allotment to 21 million acres. Allowance made for underplantings of 500,000 acres.

² A yield of 18.3 bushels per acre was attained in 1942.

Diverted acreage.—A further factor influencing the volume of price support operations will be crops devoted to acreage diverted from cotton, corn, and wheat to other crops eligible for price support. This has been taken into consideration to some extent in the budget estimates but it is impossible to forecast the future developments in this respect with any degree of accuracy. The administration is already committed to price support on feed grains, soybeans, flaxseed and other crops for which diverted acres might be used. Although the level of support is in some instances lower than in the recent past, nevertheless, increased yields and weak prices could add as much as \$200 million to the borrowing authority required. Further, any general price declines and business difficulties would be reflected in a generally increased volume of price-support operations for all commodities.

During this period of high production and diminished exports, the volume of price-support operations required by law are estimated to continue at a high level. While production controls will be in effect for certain commodities there is no assurance that they will be fully successful because of yield potentialities. The timing of the peak requirements for borrowing authority for individual commodities varies from time to time as general economic circumstances affecting the respective commodities change. It is important, therefore, that the borrowing authority of the CCC be large enough to cover any reasonably anticipated needs. The past history of the operations of the Corporation is replete with examples of the violently changing demands upon it: From December 1947 to December 1948 the total obligations against the borrowing authority

4 BORROWING POWER OF THE COMMODITY CREDIT CORPORATION

of the Corporation increased \$1.5 billion; from December 1948 to December 1949, the increase was \$1.7 billion; between February 1950 and January 1951, outstanding obligations decreased \$1.2 billion; from December 1952 to November 1953, an 11-month period, obligations have increased \$3 billion and it is estimated that an additional \$800 million will be obligated by February 1954. If even a much smaller increase should take place in the period from December 1953 to January 1955, it is apparent that a total authorization of \$8.5 billion will definitely be required.

A table (exhibit A) summarizing these changes in obligations is attached.

EXHIBIT A.—Commodity Credit Corporation—Analysis of obligations outstanding and net change between periods of maximum use of borrowing authority

[In billions of dollars]

Calendar year	Maximum use of borrowing authority				
	Month of peak	Total amount		Statutory	
		Outstanding	Increase (+) or decrease (−) from prior period	Outstanding	Increase (+) or decrease (−) from prior period
Actual:					
1947-----	December-----	0.7		0.6	
1948-----	do-----	2.2	+1.5	1.6	+1.0
1949-----	do-----	3.9	+1.7	3.3	+1.7
1950-----	February-----	4.4	+5	3.8	+5
1951-----	January-----	3.2	−1.2	3.0	−.8
1952-----	December-----	2.9	−.3	2.8	−.2
1953-----	November-----	5.9	+3.0	5.7	+2.9
Estimated: 1954 ¹ -----	February-----	6.7	+8	6.4	+7

¹ It is anticipated that a cancellation of notes totaling \$773 million in February will enable the Corporation to stay within the statutory borrowing authority.

The CHAIRMAN. We have with us this morning Howard Gordon, President of the Commodity Credit Corporation. Mr. Gordon has a prepared statement and I assume it is in justification of the Secretary's request for the one and three-quarters billion additional borrowing authority.

STATEMENTS OF HOWARD H. GORDON, PRESIDENT, COMMODITY CREDIT CORPORATION; R. P. BEACH, BUDGET OFFICER, COMMODITY CREDIT CORPORATION; AND PRESTON RICHARDS, DEPUTY ADMINISTRATOR, COMMODITY STABILIZATION SERVICE, UNITED STATES DEPARTMENT OF AGRICULTURE

Mr. GORDON. Yes, sir. I have an additional statement with respect to the certificate of interest plan for financing price support loans in which I thought the committee might be interested in view of the questions raised by Senator Williams with the Secretary.

The CHAIRMAN. It probably will be. Will you take up the request for increasing the borrowing authority first?

Mr. GORDON. Yes, sir.

The CHAIRMAN. Very well. Why do you not go ahead with your statement?

Mr. GORDON. The Department is requesting an increase in the statutory limitation on the borrowings by the Commodity Credit Corporation—including the obligation to take over upon demand loans held by lending agencies—in order to assure its ability to carry out manda-

tory commitments for price support of 1954 crops in accordance with existing law. The increase requested is $1\frac{3}{4}$ billion, bringing the total borrowing authority to $8\frac{1}{2}$ billion.

Background of present situation: Briefly, the reason additional borrowing authority for the Commodity Credit Corporation is needed is we have a larger supply of corn, cotton, wheat, dairy products, and a few other commodities than can be absorbed by domestic and export markets. With domestic use of most commodities relatively stabilized, the two most dominating influences on the level of price-support operations are exports and production. Production has increased or been maintained at high levels and exports have declined. As a result, prices to farmers have been below support levels, huge quantities of commodities have been placed under CCC loan or offered for sale to the Corporation, and sales of CCC inventories built up from past price-support operations have declined. This has increased the obligation of the financial resources of the Corporation to the point where there remains insufficient unused borrowing authority to carry out present price-support commitments.

An additional factor is that, since the borrowing authority of the Corporation was set at \$6,750 million in June 1950, the general increase in parity prices, and, consequently, in support prices, has resulted in the use of more dollars for a given quantity of commodities than was required in 1950. For example, the support price on 1950 crop cotton was \$139.50 per bale, as compared with an estimated \$160 for 1954 crop cotton. Similarly, the increase in the support price on corn has been from \$1.47 to \$1.58 per bushel, on wheat from \$1.99 to \$2.20 per bushel, on butterfat from 60 cents to 67.2 cents per pound, and on milk for manufacturing, from \$3.07 to \$3.74 per hundredweight.

Senator YOUNG. May I interrupt at this point? This is not a result of the increase in price-support levels but in parity levels?

Mr. GORDON. Parity levels, yes. For all commodities on which price-support commitments have been made for 1954 crops, it is estimated that \$200 million more will be required to make the loans and purchases in the fiscal year 1955 at 1954 crop-support prices than would have been required at 1950 crop-support prices. In addition to the increased capital required to make loans or purchases, the amount required to carry inventories has increased.

Basic considerations: There are several characteristics of the operations of the Commodity Credit Corporation which are of crucial importance in considering the extent of its authority to borrow.

First, is the fact that the major part of the borrowing authority used is in connection with corn, cotton, wheat, and dairy products. The first three commodities are basic commodities for which price support is mandatory under existing law at 90 percent of parity through the 1954 crops. Dairy products are classed as designated nonbasics on which support is required by law at not less than 75 nor more than 90 percent of parity. As of November 30, 1953, the financial statements of the Corporation indicated a total investment of \$5,248.6 million in price-support loans and inventories, of which \$4,302.9 million was in these 4 commodities: Wheat, \$2,055.6 million; cotton, \$1,013.4 million; corn, \$852 million; and dairy products, \$381.9 million.

Second, is the fact that on these major commodities, except for some discretionary power with respect to the support level on dairy prod-

ucts, the Corporation must stand ready on an open-offer basis to make loans or purchases at a fixed level of support prices on any quantity of the commodities which may be produced during the crop year. Once a crop is produced, the Corporation has no control over the quantity of any of these commodities which may be offered to it for price support. The proportion of the total crop of any commodity in a particular year which is placed under price support is governed by many varied and unpredictable factors, such as the size of crops, export trends, general business conditions, and other.

These two characteristics of the Corporation's operations in turn, make it extremely important that there be sufficient borrowing authority to eliminate any possible question of the ability of the Corporation to make good on the commitments required by existing law. Adequacy of financial resources readily available to the Corporation is one of the major elements in its power to conduct effectively and at minimum cost, the price-support programs authorized by Congress. Ability to support as much of the crop as necessary at the proper and critical time is essential if markets are to remain stable.

Farmers, bankers, and the various trade groups with which the Corporation deals must be unequivocally assured that the CCC is able to meet any financial obligations imposed upon it by program commitments. The announcement of availability of price support on a commodity, together with general knowledge of and confidence in the ability of the Corporation to back up the announcement with loans or purchases as required, has at times in the past averted the need for price support. On the other hand, doubt as to the ability of the Corporation to meet its obligations would cause an increased demand for price support.

There would be a strong downward pressure on prices if such doubt existed. Farmers would rush to place commodities under price support in the belief that first come would be first served. Banks would be hesitant or unwilling to lend money to farmers under lending agency agreements in which the CCC agrees to purchase on demand the notes evidencing such loans. Prospective purchasers of commodities held by the CCC would be hesitant to buy, in the hopes of obtaining the same commodities at a lower price at a later date. Farmers would be unable to redeem collateral pledged for price-support loans. Carriers, warehousemen, handlers, processors, and other trade groups would not have the confidence in the Corporation necessary for satisfactory business relationships. Any downward pressure on prices, of course, would be reflected in lower valuations of the inventory of commodities held by the Corporation, and, consequently, in increased program costs.

To avoid such a development, it is not only necessary that the borrowing authority of the Corporation be of sufficient size to assure ability to meet all obligations, but it should be large enough to provide a margin of flexibility for unforeseen circumstances. It is not possible to forecast with any assurance of accuracy what the demands on the Corporation's financial resources will be in the future. To be able to do so, it would be necessary to have the ability to forecast accurately months in advance the market price of individual commodities, and, in addition, all of the effects of price changes on CCC operations. This inability to accurately forecast future operations applies not only to the total volume of each of the different types of

transactions affecting the use of borrowing authority, particularly, loans, purchases, repayments, and sales—but it also applies to the timing of these transactions.

Seasonal variations in the prices of individual commodities, resulting from a variety of causes, have a definite effect on the peak amount of funds invested in price-support operations at any one time during a crop year. In addition, such factors as a new crop report or a change in weather affecting the outlook for production of a major crop can have an immediate effect on the volume of price-support loans requested by farmers. This, in turn, immediately affects the amount it is necessary for the Corporation to borrow from the Treasury or obligate itself to pay banks for notes accepted by them under lending-agency agreement.

Similarly, the timing of sales of inventories and of repayments on loans, which is subject to many unpredictable factors, will directly affect the use of borrowing authority. Circumstances affecting the total volume, the timing of obligations and receipts, and the relationship between obligations and receipts, change so rapidly that it is necessary that there be a margin of borrowing authority to cover temporary bulges in net obligations as well as unforeseen developments affecting the total volume of price support extended.

The past history of the operations of the Corporation is replete with examples of the violently changing demands upon it: From December 1947 to December 1948, the total obligations against the borrowing authority of the Corporation increased \$1.5 billion; from December 1948 to December 1949, the increase was \$1.7 billion; between February 1950 and January 1951, outstanding obligations decreased \$1.5 billion; from December 1952 to November 1953, an 11-month period, obligations have increased \$3 billion and it was estimated that an additional \$600 million would be obligated by February 1954.

The CHAIRMAN. \$600 million?

Mr. GORDON. \$800 million is the corrected figure, sir.

Senator WILLIAMS. What is the peak month?

Mr. GORDON. Normally, February is the peak month but it looks like we will find January as our peak month this year. There has been a great acceleration in loans.

Senator WILLIAMS. How much do you have outstanding in loans?

Mr. BEACH. Senator Williams, we have no financial report as of a monthend since November 30, that being the latest one we have at this time. We made a survey by wire of the loans approved through county offices through January 15 and putting that information together with the information from our other field offices we came to the conclusion that we have possibly \$16 million unobligated. In other words, we may have \$6,734 million, approximately, obligated of the borrowing authority of \$6,750 million.

Senator ELLENDER. Can you tell us what commodities gave rise to this increase in January over the previous years?

Mr. BEACH. Yes, sir. Corn, cotton, wheat, and dairy products.

The CHAIRMAN. Maybe we ought to let Mr. Gordon finish his statement. I realize I was the first offender.

Mr. GORDON. It would be perfectly all right with me. Sometimes we answer questions as we go along and it does save time. It is immaterial to me.

Senator ELLENDER. The only thing I want to bring out is why should this acceleration take place in January instead of February, as was the case previously?

Mr. GORDON. In some cases it is due to the lack of export market and in other cases it is due to the price level. In corn it is definitely due to the price level. The loans are coming in at a very rapid rate. On cotton I would think export conditions would have quite a bearing on it. On dairy products we have had a run of production which is without parallel.

Senator ELLENDER. Unprecedented?

Mr. GORDON. Yes, sir. Those are the conditions which have caused this tremendous burst which we could not have foreseen.

The CHAIRMAN. And weather conditions in the case of dairy products?

Senator ELLENDER. That is why I asked the question; I thought that was going to be your answer: That the dairy products have been produced in larger quantities than in the past is one of the things that caused it. To what extent have dairy products themselves caused this change?

Mr. BEACH. Since November 30 we have bought about \$40 million worth of dairy products. It is the minor one of the commodities as far as the overall change is concerned. Cotton and corn I would judge are the two largest ones.

Mr. GORDON. We might get up to 7 million bales of cotton under loan.

Senator YOUNG. Mr. Chairman?

The CHAIRMAN. Senator Young?

Senator YOUNG. Life magazine in this issue has an editorial that is very critical of me. They give me credit for this surplus you are accumulating of dairy products and eggs. How many eggs do you now have?

Mr. GORDON. No eggs.

Senator ELLENDER. That program has been dispensed with; hasn't it?

Mr. GORDON. Yes, sir.

Senator YOUNG. It is about as accurate as many other articles.

Senator ELLENDER. You are not worried about that; are you, Senator?

Senator YOUNG. No. They have always blamed me for wheat supports. Dairy products and eggs are something new.

The CHAIRMAN. Will you go ahead, Mr. Gordon?

Mr. GORDON. Borrowing authorization does not control costs: Another important point for consideration is that the request for an increase in borrowing authority does not constitute an appropriation of funds. Neither does approval of an increase in borrowing authority necessarily contemplate an increase in the costs of price-support operations to the United States Government. These costs are not known until the liquidation of loans and inventories which represent the major assets financed under the borrowing authorization. Overall control over the actual volume of loans to be made and inventories to be acquired, and thus over program costs, is exercised by the Congress in two ways entirely aside from the limitation on borrowing authority. These are (1) the approval of price-support legislation prescribing the conditions under which the prices of individual commodities shall be supported, and the levels of such price supports, and (2) the approval

of the budgetary programs set forth in the annual budgets submitted in accordance with the Government Corporation Control Act of 1945. These budgetary programs are, of course, within the framework of basic price-support legislation. One of the major considerations in the development of the new farm program submitted to the Congress by the President on January 11, 1954, was ultimate reduction in costs to the taxpayer.

Senator ELLENDER. I am intrigued by the first sentence at the bottom of page 6 where he says:

Another important point for consideration is that the request for an increase in borrowing authority does not constitute an appropriation of funds.

That may be true, but I would like to ask you about this new method of financing that was started by the Secretary some time ago.

Mr. GORDON. I have a rather complete statement that I would like to read after I finish this, if I may. I cover that fully.

The CHAIRMAN. It is doubtful if we can finish the hearings by noon. The reason they were put off until 11 o'clock is because the witnesses had to go to the House Appropriations Committee as we are reaching almost an emergency situation there. Something has to be done before the 1st of February or else. So we postponed this an hour this morning.

Senator WILLIAMS. Mr. Chairman, we are not going to be able to finish this this morning anyway. Suppose we let him complete his statement, then we can study it and ask him questions.

The CHAIRMAN. I would like to have him read it.

Senator ELLENDER. There is only one other question, and it is this: Although this borrowing authority is not considered an appropriation of funds, the fact that we give the authority would result in a larger sum of money owed by the Government. That is, you finance in the past by going to the Treasury, and asking—

Mr. GORDON. The method that you are talking about doesn't get us around that. We still have to stay within our borrowing authority—

Senator ELLENDER. I understand that.

Mr. GORDON. With respect to these certificates of interest.

Senator ELLENDER. I understand that. But of course the method that you are applying, the way you are handling it, you are more or less in competition with the Treasury; aren't you?

Mr. GORDON. I would not say so.

Senator ELLENDER. We will discuss it when you get to that point later on.

Mr. GORDON. I think you will understand it much more clearly after I read this rather complete statement of about 3 pages.

Senator ELLENDER. I do not believe it was contemplated by this committee that such authority as is now being exercised by the Secretary of Agriculture would be used. You may have the authority.

Mr. GORDON. You will find it is in keeping with a practice followed ever since 1941, and the extent is the only difference, not the method.

The CHAIRMAN. Were the obligations and guaranties of the Commodity Credit Corporation considered in figuring the approach to the debt limit?

Mr. GORDON. Yes, sir; the borrowings.

Senator YOUNG. Mr. Chairman, just one question.

Mr. GORDON. Not the obligations to banks, only the actual borrowings from the Treasury.

Senator YOUNG. How do you expect to handle this proposed set-aside or insulation of \$2½ billion of farm commodities? I thought at first you might finance those in a different manner. Will they be financed by CCC funds?

Mr. GORDON. We do not know yet.

Senator YOUNG. If you were going to use separate, or new funds, for those, you wouldn't need this increased borrowing authority, would you?

Mr. GORDON. No, but I think you will find when we get through reading this statement, very definitely that we have a problem here with respect to 1954 that we have to meet and the new farm program has no bearing on this request at all.

Senator YOUNG. Thank you.

Mr. GORDON. Present status of borrowing authorization: As of November 30, 1953, the actual amount of borrowing authority in use was as follows:

	<i>Million</i>
Borrowings from U. S. Treasury-----	\$4, 148
Loans held by lending agencies:	
Individual notes-----	1, 014
Certificates of interest-----	511
Total-----	1, 525
Grand total-----	5, 673

In addition, the Corporation had other liabilities, including purchase agreements, accounts payable, accrued warehouse and carrying charges, et cetera, amounting to \$259 million, some of which it will be necessary to finance by borrowings.

Special reports obtained from the field last week indicated that loan volume has increased substantially in recent weeks. In the light of information included in those reports, it was estimated on January 22 that our borrowing authority is nearly depleted.

Estimated future use of borrowing authority: Based on the projected timing of the obligations to be incurred and receipts to be received which are reflected in the 1955 budget, it had been estimated that the peak use of statutory borrowing authority in the fiscal year 1954 would occur in February, when \$6.4 billion would be in use. Similarly, it was estimated the peak amount of statutory borrowing to be in use in the fiscal year 1955 would be \$6.7 billion in February 1955. In addition to the obligations chargeable to borrowing authority under the statutes—actual borrowings plus loans held by lending agencies—it was estimated that on each of these peak dates there would be \$300 million of additional liabilities not yet reflected in the use of borrowing authority. It now appears that the earlier estimate for February 1954 has already been exceeded in January.

It should be emphasized that these estimates were based on the assumptions "that yields would be in line with recent averages" and "that acreage allotments and marketing quotas will be in effect * * * in accordance with existing legislation." Actual yields per acre have been increasing steadily each year. Also, with acreage controls in effect for cotton, corn, and wheat, it may be assumed that producers will use more fertilizer and insecticides and select their best lands for production of those crops upon which acreage allot-

ments have been placed, thereby obtaining still higher yields. Under present legislation, the cotton allotment is set to produce 10 million bales of cotton with an average yield of 268 pounds of lint per acre—or 17,900,000 acres. Legislation has been enacted which will increase the acreage allotment to over 21 million acres and production will increase accordingly.

With the increase in cotton acreage, and assuming (a) that yields of cotton, corn, and wheat will be in line with higher than average yields in recent years, and (b) that most of the increased supplies will go under price support, approximately \$1 billion additional borrowing authority would be required. For example, if the yield of corn should increase only 3 bushels per acre, the additional production would amount to 234 million bushels. This in turn if placed under price support would require the use of \$374 million of additional borrowing authority.

A further factor influencing the volume of price-support operations will be crops devoted to acreage diverted from cotton, corn, and wheat to other crops eligible for price support. This has been taken into consideration to some extent in the budget estimates but it is impossible to forecast the future developments in this respect with any degree of accuracy.

The administration is already committed to price support on feed grains, soybeans, flaxseed, and other crops for which diverted acres might be used. Although the level of support is in some instances lower than in the recent past, nevertheless increased yields and weak prices could add hundreds of millions of dollars to the borrowing authority required. Further, any general price declines and business difficulties would be reflected in a generally increased volume of price-support operations for all commodities.

If the revised assumptions with respect to yields and acreage of allotment crops, price support required on crops planted to diverted acres should materialize, and if business conditions are slightly less favorable than those assumed in the budget estimates, it is estimated that the Corporation's statutory obligations against its borrowing authority will reach a peak for the fiscal year 1955 of approximately \$8 billion in February 1955. This would leave only a small margin of financial resources to cover unforeseen developments on 1954 crops, and would leave little or no room for the additional requirements for 1955 crop price-support operations. Unless the proposal for setting aside reserves of \$2.5 billion of commodities made in the new farm program submitted to Congress on January 11, 1954, is approved, and unless separate provision is made for financing this reserve, it will quite likely be necessary to request a further increase in borrowing authority in order to support 1955 crop prices.

The CHAIRMAN. When do you anticipate that request for further borrowing authority might be made, Mr. Gordon?

Mr. GORDON. Well, we think about a year from now but we are not so sure, in view of this development which we have had in the last few weeks, that it might not come earlier.

The CHAIRMAN. Before the end of this session?

Mr. GORDON. I don't know about the end of this session. I guess you would have to get it in before this session ends.

Senator ELLENDER. You are assuming that your production for this year, as you have just indicated, would be as great as it was in the

past. With a drought or a little less production, of course, it would change the picture?

Mr. GORDON. We cannot foresee that.

The CHAIRMAN. You are also assuming stable economic conditions.

Mr. GORDON. We have assumed stable economic conditions. If they became unstable of course the demands would be greater. We have it on both sides.

The CHAIRMAN. Senator Young?

Senator YOUNG. With this acreage-reduction program you would think there would be a considerable reduction in production as compared to a year ago. The Department of Agriculture in 1953 asked farmers to increase corn production. That was last year. I don't understand why they did. Now you are asking farmers to decrease production. You would think this would have quite an effect on it.

Mr. GORDON. The corn-allotment program calls for a reduction of about 10 million acres. Actually, we do not anticipate that we will net more than about half of that because many people will prefer not to have price supports because it fits in their rotation practices and their operations. They can go ahead and produce the corn. So we will not get probably over half of the reduction that is called for under that acreage-allotment program. We realize that that is true. We realize also that when you do have these acreage-allotment programs and marketing quotas, as I pointed out, you put your best land in and you really pour on the fertilizer and improve your practices.

The result is that your production is never decreased to the extent you would anticipate from the reduced acreage. In addition to that we of course are certainly running into some problems with respect to these diverted acres. Much of the cornland probably will go into soybeans. Some of your delta cottonland will go into soybeans, which will complicate our fats and oils situation which, as you know, is already quite bad.

We have all of those factors that have to be taken into consideration. Actually, what we are talking about here is the 1954 price-support program and not the new program which was presented to you last week by Secretary Benson.

Senator YOUNG. If we had very poor crop years like the 2 we had in the thirties or the reduction in the corn crop of about 3 years ago of some 500 million bushels as a result of early frost you would not have a bit too much corn, would you?

Mr. GORDON. We could have a drought that would create that kind of a situation.

Senator YOUNG. Two or three years ago you had a situation of corn with frost.

Mr. BEACH. The 1951 crop, Senator. We put only 26 million bushels under price supports that year.

Senator YOUNG. Prices shot upward about 50 or 75 cents a bushel.

The CHAIRMAN. Is it safe to figure on that basis?

Mr. GORDON. No, I do not think you can.

The CHAIRMAN. You have to figure on a normal basis, a normal economy, and normal yields and normal conditions.

Senator Ellender?

Senator ELLENDER. In the past, as I understand, most of your borrowings, in fact the major part of your borrowings, have been through the Treasury?

Mr. GORDON. Yes, sir.

Senator ELLENDER. What was the average rate of interest charged on such loans? Do you recall?

Mr. GORDON. That has varied greatly.

Mr. BEACH. A few years back it was $1\frac{1}{4}$ percent. It has ranged from 2 to $2\frac{1}{2}$ percent this fiscal year.

Senator ELLENDER. With the Treasury?

Mr. BEACH. Yes, sir; 2 to $2\frac{1}{2}$ percent from the Treasury. It is based on the average rate borne by securities marketed by the Treasury.

Senator ELLENDER. What about your short-term Treasury notes? I thought they were less than 2 percent.

Mr. BEACH. In recent weeks they have gone down considerably less than 2 percent.

Senator ELLENDER. But even before that, were they not always lower than 2 percent?

Mr. BEACH. No, sir.

Senator ELLENDER. I mean the short 90-day notes?

Mr. BEACH. They were up pretty high not long ago. I think I have a chart that shows it.

Mr. GORDON. They have varied, of course, from 1 percent up to at least $2\frac{1}{8}$.

Senator ELLENDER. The next question I was going to ask you was, on page 7 you have here "Individual notes, \$1,014 million." I presume that those are the notes that are handled by the banks?

Mr. BEACH. Yes, sir.

Mr. GORDON. I have the figures here.

Senator ELLENDER. Those notes, as I understand, bear interest similar to that which the Corporation could borrow through the Treasury and you pay a little premium there to handle it.

Mr. GORDON. Yes, sir.

Senator ELLENDER. How much is that handling charge?

Mr. GORDON. A half of 1 percent.

Senator ELLENDER. So that as to all of these individual notes the banks receive what the current Treasury rate is plus one-half of 1 percent?

Mr. GORDON. Yes, sir. If they provide that service.

Senator ELLENDER. I understand that. Of course, these banks have the right to force you to take back these notes at their option?

Mr. GORDON. That is right.

Senator ELLENDER. You have certificates of interest in the amount of \$511 million. How much has the rate of interest been on those issues?

Mr. GORDON. It has varied. Would you like that other information first? I have it here.

Senator ELLENDER. Yes.

Mr. GORDON. From 1939 to 1948 it was 1 percent. It crept up to $1\frac{1}{4}$.

Senator ELLENDER. You are talking now about the rates of interest paid by the Treasury on short-term notes?

Mr. GORDON. No, sir. This is the interest that CCC paid to the Treasury on its borrowings.

Senator ELLENDER. That is about the rate, though, that the Treasury paid for its money.

Mr. GORDON. Just about. As of June 30 it was $21\frac{1}{2}$ percent.

Senator ELLENDER. What caused that to go up, do you know?

Mr. GORDON. There was a temporary strengthening of the market in the period April-June.

Senator ELLENDER. When was it that you started the system of utilizing certificates of interest rather than the old method of borrowing through the banks?

Mr. GORDON. On cotton we have been doing this since 1941. But in September we announced this program and applied it to all crops. I have that statement, Mr. Chairman, and I will be glad to read it right now, which I think will clear up a great deal.

Senator ELLENDER. I wonder if you can answer the question as to how much more or less it has cost to handle it through this certificate of interest system rather than through borrowing direct from the individual banks?

Mr. GORDON. In general terms, yes. The first offering in October was at $21\frac{1}{2}$ percent which was the rate we were paying the Treasury at that time. Then the next offering, in December, of \$450 million, was at $21\frac{1}{4}$ percent.

Senator ELLENDER. What rate was the Treasury obtaining for that short a term?

Mr. GORDON. I think around $21\frac{1}{8}$ at that time on 9-12 months obligations.

Mr. BEACH. They later came down considerably. They were down to about 1.7 percent on 3-month bills. They were down to between $1\frac{1}{2}$ to $1\frac{3}{4}$.

Senator ELLENDER. The Treasury?

Mr. BEACH. Yes.

Senator ELLENDER. Yet you were offering them at what?

Mr. GORDON. Two and a quarter.

Senator ELLENDER. Wasn't that change that you instituted more or less in the nature of a method to compete with the Treasury and in a measure had the effect of causing these short-term interest rates to increase?

Mr. GORDON. Apparently Treasury did not feel so because we worked very closely with them in making all of these offerings and in setting the rates which were involved.

Senator ELLENDER. Did you consult the Treasury and did they consent to your offer at $21\frac{1}{2}$ percent?

Mr. GORDON. Not only that, they encouraged us to make these offerings. May I read this?

Senator ANDERSON. Mr. Chairman, we cannot hear a word down here.

Mr. GORDON. May I read this statement. I believe it will clear up a lot of the questions.

The CHAIRMAN. Yes.

Senator ELLENDER. What I want to do, Mr. Chairman, is clear it up.

Mr. GORDON. This is a statement headed "Certificate of Interest Plan for Financing Price-Support Loans."

In June of last year representatives of the Treasury Department advised us that they probably would be hard pressed to keep within the statutory debt limit and they requested that we attempt to obtain a greater investment of funds in CCC programs by private banks in order to reduce CCC's use of Treasury funds to a minimum.

It has been the policy of CCC to utilize private banks (lending agencies) in its price-support programs to the maximum extent possible and to encourage the banks to retain the notes and warehouse receipts in the local bank where the producers customarily do their banking. Banks have done an outstanding job in this respect. Last year more than 95 percent of the grain loans and 81 percent of the cotton loans were disbursed by banks which have entered into lending agency agreements with CCC.

It must be recognized, however, that many of the banks in the producing areas do not have sufficient funds to continue to finance all of the loans and must either sell a part of the notes to CCC or to a corresponding bank. The lending agency agreement used in our grain program provides that the funds may be obtained from either CCC or from a correspondent bank, but require that in either case the notes and warehouse receipts must remain in the bank which disbursed the loan. Farmers experienced considerable difficulty in redeeming their loan grain in some of the earlier loan programs when banks were allowed to deliver the notes and warehouse receipts to their correspondent banks. In order to operate an effective price-support grain-loan program we feel that the loan papers must be kept at a place near the farmer where he can quickly get possession of the loan papers (warehouse receipts) when he desires to redeem the grain pledged to secure the price-support loans.

The problem of obtaining greater private financing was discussed with officials of the American Bankers Association and Reserve City Association. It was felt that the country banks were already carrying about all of the CCC paper which they could reasonably be expected to do and that any substantial increase in private funds for price-support loans would have to come from the city correspondents of the country banks.

In order to attract the maximum investment of private funds in CCC loans it was agreed that the city banks would require some official document to evidence investment of their funds. Rather than allow the grain notes and warehouse receipts to be removed from the custody of the country bank it was decided to issue certificates of interest to evidence participation in the financing of a pool of price-support loans.

The certificate of interest plan of financing has been in effect in the cotton-loan program since 1941, except for the 1952 crop. Commercial banks disburse the loans but the notes and warehouse receipts are forwarded to a Federal reserve bank or branch for custody and are placed in a pool of loans. The commercial bank which desires to continue its investment in CCC loans receives a certificate of interest to evidence its investment in the pool of loans. In the event sufficient producer loans are repaid to reduce the pool of loans below the amount of the outstanding certificates of interest, a pro rata payment is made to all certificate holders.

The first offering of certificates covering commodities other than cotton was made in October 1953 and amounted to \$360 million. The Federal Reserve Bank of Chicago, acting as fiscal agent for Commodity Credit Corporation, issued the certificates and operates the pool. An additional offering of \$12 million was made on January 15, 1954. The attached table shows the commodity loans which constitute the pool.

After the 1952 cotton loans were extended the banks which originally disbursed the loans were given an opportunity to purchase certificates of interest in order to participate in the financing of these loans through July 31, 1954. These banks purchased about \$15 million worth of certificates. In December 1953, an announcement was made offering all commercial banks the opportunity to participate in the financing of these 1952 loans as well as the 1953 cotton cooperative loans which were not held by private banks. This offering totaled \$450 million. On January 15, 1954, an announcement was made offering an additional \$225 million in the pool of cotton loans.

Since the certificate of interest is simply a document which evidences participation in the financing of price-support loans, it would seem that in considering the question of public debt, certificates should be treated the same as the individual farmer's loan which is disbursed and held by a commercial bank but which CCC agrees to purchase from the bank at maturity, if the loan has not been repaid. It is our understanding that such loans are not reflected in the public debt until CCC purchases the note. Since many of these price-support loans are repaid prior to maturity, we believe it proper that such notes not be included in computing the amount of the public debt of the United States.

CCC's charter provides that we shall use the usual and customary channels, facilities, and arrangements of trade and commerce in the conduct of business, and we would propose to continue to use commercial banks in the handling of price-support loans to the maximum extent possible. To the extent that banks disburse and hold the price-support loan paper, CCC is relieved of the administrative burden, particularly in those years of heavy redemptions. The certificate of interest plan offers the opportunity for a greater participation in the loan programs by commercial banks.

In the event these certificates of interest were to be guaranteed by the United States Treasury and considered a part of the public debt it is assumed that they would be issued at the same rates and subject to the same terms and conditions as short-term Treasury issues. If this were true, it is believed that most commercial banks would prefer to purchase the short-term Treasury issues.

As you know, our loan programs are announced at the beginning of the year and rates are established which generally continue throughout the program year. We attempt to set a rate of compensation to banks which provides an appropriate amount for services performed and for interest on funds invested. Recognizing that interest rates fluctuate considerably during the program year we naturally tend to be conservative in setting these rates.

In the event the rate established should be too low we could, without interrupting the operation of a program when activity is high, allow the notes to be sold to CCC and then finance them through the certificate plan at rates which are in line with current money market. By using the certificate plan we can keep the financing of these loans in the hands of commercial banks.

(The tables referred to above are as follows:)

Status of loans pooled for certificates of interest as of Nov. 30, 1953

1953 crop year commodity loans:		Amount
Barley	-----	\$15,789,835.34
Beans	-----	5,605,191.20
Corn	-----	5,730,997.90
Cottonseed	-----	58,793.94
Flax	-----	13,587,583.61
Grain sorghum	-----	4,141,789.06
Honey	-----	73,120.66
Rosin	-----	3,202,513.07
Turpentine	-----	710,781.64
Oats	-----	13,671,910.27
Peanuts	-----	11,731,922.71
Rice	-----	2,345,859.66
Rye	-----	1,278,190.57
Seeds (H. & P.)	-----	9,575.20
Seeds (W. C. C.)	-----	1,070,323.94
Soybeans	-----	8,160,588.43
Wheat	-----	323,932,490.50
Wheat, 1953 distress	-----	2,937.15
Wool	-----	17,341,607.10
1952 resealed loans:		
Corn	-----	15,884,912.40
Oats	-----	1,659,182.15
Wheat	-----	9,725,336.04
Tobacco: 1946 through 1951	-----	210,747,741.11
Total loans pooled		666,463,183.65

Computation of amount of certificates of interest to be issued

Estimate of June 30, 1954, loans eligible to remain in pool:		Amount
Corn	-----	\$250,000,000.00
Tobacco	-----	225,000,000.00
Tung Oil	-----	2,000,000.00
Total		477,000,000.00
Less certificates of interest outstanding Jan. 12, 1954		351,832,000.00
Balance available for issue		125,168,000.00
Certificates of interest to be issued		125,000,000.00

Certificates of interest

Announcement	Date	Commodity	Offering	Applications		
				Rate	Number of banks	Amount
CHF-1	Oct. 14, 1953	Other than cotton	\$360,000,000	Percent 2½	2,923	\$2,150,000,000
CHF-2	Dec. 7, 1953	Cotton, 1952-53, crop.	450,000,000		2,341	1,204,000,000
CHF-3	Jan. 15, 1954	Other than cotton	125,000,000	2½	2,289	1,852,000,000
CHF-4	do	Cotton	225,000,000			
Total offered by announcement.			1,160,000,000			
Outstanding cotton certificates issued to banks which disbursed the cotton loans to the farmers, Dec. 31, 1953.			487,000,000			
Total			1,647,000,000			

Senator Ellender?

Senator ELLENDER. Your statement answers specifically one of the questions that I was going to ask you as to the reason why it was not done. You say that before the first interest certificates were issued the Treasury was consulted and it was agreed that you were to pay $2\frac{1}{2}$ percent?

Mr. GORDON. That is right.

Senator ELLENDER. You say that was the going rate of interest in the Treasury?

Mr. GORDON. That is what we were paying the Treasury at the time the rate was determined.

Senator ELLENDER. On short-term paper. And that is what the Treasury itself was paying?

Mr. BEACH. This is the rate [indicating chart].

Senator ELLENDER. Answer the question. Is that correct?

Mr. GORDON. That is my understanding.

Senator ELLENDER. When you made your second offer you say that the rate of interest offered was $2\frac{1}{4}$ percent.

Mr. GORDON. That is right.

Senator ELLENDER. Did you again consult the Treasury?

Mr. GORDON. That is right.

Senator ELLENDER. What was the then going rate of interest at that time?

Mr. BEACH. The rates had dropped considerably by December. The going rate was around 1.7 percent on Treasury 3-month bills.

Senator ELLENDER. That being true, why did you insist, or why did you offer for $2\frac{1}{4}$, when the Treasury was offering it for 1.7?

Mr. BEACH. The rate of 1.7 percent was in the latter part of December.

Senator ELLENDER. Why was it that you offered them at $2\frac{1}{4}$ when you could have gotten it through the Treasury at 1.7?

Mr. BEACH. The Treasury actually determines the rates at which these certificates are offered, Senator Ellender.

Senator ELLENDER. I know, but it is supposed to be what the Treasury is able to obtain it for. It is really a Government transaction. It is something in which the Treasury itself is interested.

Under the law as I understand it they are supposed to handle the paper.

Mr. GORDON. Senator, as I understand it, what they try to do is to exercise the best judgment they can with respect to the interest rate which will accomplish the sale of these certificates of interest. They arrived at the conclusion that on December 7 the interest rate would need to be $2\frac{1}{4}$ percent. And in January, on January 15, they dropped it to $2\frac{1}{8}$ percent.

Senator ELLENDER. What was the current rate at which the Treasury could borrow then?

Mr. BEACH. I do not have the rate as of January 15 here, but the rate has lately been about 1.2 on Treasury bills.

Senator ELLENDER. 1.2?

Mr. BEACH. Yes, sir.

Senator ELLENDER. A while ago I asked if you did not believe that there was competition there by an agency of Government with the Treasury, which would have the effect of increasing the going rate of the Treasury.

Mr. GORDON. I would assume that Treasury has considered that problem and has discounted it for the simple reason that they approached us on this program and asked our cooperation on it.

We have gone to them with every issue and sat down and discussed very exhaustively this problem of interest rates and have followed their recommendations on it.

Senator ELLENDER. Could you tell us the reason why the Treasury permitted you to offer this short-term paper which was guaranteed by the Government the same as any other Treasury paper issued, for $2\frac{1}{4}$ percent when the Treasury itself could get it at 1.7? I just cannot understand that. Somebody paid for that difference, and why?

Mr. BEACH. Senator, Mr. Richards just pointed out that the rate which the Treasury considers is the average rate on all securities, not necessarily their short-term rate.

Senator ELLENDER. Could not the Treasury have borrowed that money to give to you for 1.7?

Mr. BEACH. They could have borrowed 90-day money, 3-month bill money.

Senator ELLENDER. Yours is 90-day money, isn't it?

Mr. GORDON. No, sir.

Mr. BEACH. Our certificates run until next August.

Senator ELLENDER. Do you not usually issue it on short-term to get the benefit of this small interest rate?

Mr. GORDON. No. I think these have a definite maturity date of August 2.

Senator ELLENDER. When you deal with those banks, those banks know in advance that they can get the money any time they desire, so that the rate that they receive is a going interest rate that the Treasury pays.

Mr. BEACH. It is a demand obligation.

Senator ELLENDER. Why was that not continued so that we could have the benefit of this lower interest rate?

Mr. GORDON. As I stated in my opening paragraph, the reason they gave was that they wanted to keep within the statutory debt limit.

Senator ANDERSON. Would you read that opening paragraph again?

Mr. GORDON. In June of last year representatives of the Treasury Department advised us that they probably would be hard-pressed to keep within the statutory debt limit and they requested that we attempt to obtain a greater investment of funds in CCC programs by private banks in order to reduce commodity credit's use of Treasury funds to a minimum.

Senator ELLENDER. That was the answer that I expected of you and I asked you the question again for the record.

Have you any record of how much more that will cost the Commodity Credit Corporation in its financing of these commodities?

Mr. BEACH. Senator, it will not cost the Commodity Credit Corporation any more. We pay approximately the same rate on certificates as we pay the Treasury.

Senator ELLENDER. If you were able to obtain that money at the 1.7 rate rather than 2.25, you do not have to be a great mathematician to note that it would cost much less.

Mr. GORDON. We could not.

Senator WILLIAMS. Will the Senator yield?

Senator ELLENDER. Surely.

The CHAIRMAN. Senator Williams?

Senator WILLIAMS. I would like to ask a question along the lines of Senator Ellender's inquiry. I think that you are not quite answering his question. As I understand it, the first loans that you did put out under this new program were financed at the same rate that the Treasury Department financed similar obligations.

Mr. GORDON. The same rate as we were paying Treasury.

Senator WILLIAMS. And the same rate that Treasury was paying for similar bills. But the second loan you financed you paid one-half percent more than the Treasury Department paid.

Mr. GORDON. That does not necessarily follow.

Senator WILLIAMS. That is what you said.

Mr. GORDON. What we said here is what Treasury was getting its short-term paper for. But we have no way to relate that to what they would require us to pay them because we have to pay on the basis of average costs.

Senator WILLIAMS. To go back to the point when you made your first loan, the price which you paid for the certificates in the open market was, as I understood you to say, was the same as the Treasury was paying for similar certificates.

Is that correct?

Mr. BEACH. It is approximately correct. The average rate on 3-months paper paid by the Treasury reached a high of nearly $2\frac{1}{2}$ percent early in June 1953.

Senator WILLIAMS. The point Senator Ellender is making and the point I would like to have clarified is if, when you put your first loan out in the open market, you could borrow on the same basis as Treasury was borrowing. If you put the second loan out and had to pay a half percent more than the Treasury paid, are you going to pay 1 percent more the next time?

What has happened to the Commodity Credit Corporation's credit that you had to pay more the second time than you did the first?

Mr. GORDON. You notice we reduced the rate of interest each time.

Senator WILLIAMS. But not as much as interest rates in general were reduced?

Mr. GORDON. We reduced it in consultation with Treasury and Treasury has indicated to us I am sure the rate of interest which they think is necessary in order to be sure that these certificates are sold. They have a greater interest in this than we have. It is a lot simpler to us to go ahead and say to Treasury "We want so much money."

Senator ANDERSON. How much spread was there the last time?

Mr. GORDON. We cannot tell exactly, Senator, because here we have only what the short-term notes sold for.

Senator ANDERSON. You sold them at about $2\frac{1}{8}$?

Mr. GORDON. Yes, sir.

Senator ANDERSON. And the Treasury at that time was getting money for about $1\frac{1}{8}$?

Mr. BEACH. Early in January they were down to $1\frac{1}{8}$.

Senator ANDERSON. That is a full 1 percent.

Senator WILLIAMS. And a month before that they were issued at the same basis as Treasury.

Senator ANDERSON. The second issue brought a half percent more than the Treasury and the next time a full 1 percent.

Senator WILLIAMS. And I am wondering where we are heading. What will the next differential be?

The CHAIRMAN. Was it believed that the Treasury could borrow at a lower rate than the Commodity Credit Corporation could?

Senator ANDERSON. They are both exactly alike.

The CHAIRMAN. If the Treasury could not borrow and lend to the Commodity Credit Corporation anyway because of the debt ceiling, didn't they recommend Commodity Credit pay such a rate as would enable them to get the money?

Mr. GORDON. I think it is rather dangerous, Mr. Chairman, for us to attempt to say at what rate Treasury could have gotten money at that time, and to try to reason out why they are encouraging us to sell these certificates of interest at a specific rate of interest. I think it would be much safer to ask them to make the explanation.

Senator WILLIAMS. I would agree with you fully on that statement except for one thing: You have projected yourself into the money market. Having projected yourself into the money market, you should become an expert so you could tell us something about it.

You are borrowing \$1¾ billion in the open market and are asking us to give you authority to borrow another billion and a quarter. That is big-time financing. And if you do not know anything about the money market you should turn the job back to the Treasury where it belongs.

Senator ELLENDER. And that is in competition with the Treasury itself?

Senator WILLIAMS. That is right. You are the ones who took it out of the Treasury Department.

The CHAIRMAN. Has this method of financing been practiced with respect to cotton in the last 12 years?

Mr. GORDON. Yes, sir.

The CHAIRMAN. Has there been a variation in the Treasury rate over this period of time or not?

Mr. GORDON. I could not say.

Senator JOHNSTON. Isn't it true they connected you up with the Treasury Department in order for you to borrow money at a cheaper rate?

Mr. GORDON. You mean initially?

Mr. BEACH. No; that is not correct. Our rates on certificates are approximately the same as we would have to pay the Treasury if we borrowed directly from them.

Senator JOHNSTON. It does say to the buyer that we can go to the Treasury now and we will not have to be held up. It does do that, does it not?

The CHAIRMAN. Mr. Beach, has the rate paid by the Commodity Credit in the financing of cotton been the same as the rate paid—

Mr. BEACH. Approximately the same rate we paid the Treasury for borrowings.

The CHAIRMAN. This variation of rates then is something new?

Mr. BEACH. No. The variation of rates here relates the rate on certificates to the rate we would have to pay the Treasury. The dis-

tion Senator Williams is making is between the rate at which the Treasury can issue securities versus the rate at which we are selling certificates.

The point I think that he missed is the fact that the Treasury is making a determination in both spots, both what they will sell at and what rate we will sell at.

The CHAIRMAN. In respect to cotton, has the Treasury in the past set a different rate that the Commodity Credit should pay than what the Treasury itself paid?

Mr. BEACH. No, sir; except in this sense: Our rate on borrowings from the Treasury, that is where we borrow cash from the Treasury for operation, is based on the average cost of money to the Treasury. They set a rate to us. Then we set the same rate on certificates of interest in cotton paper.

So they are definitely related.

The CHAIRMAN. Has there been a change of policy this year in that respect?

Mr. BEACH. I do not think so.

Senator ANDERSON. You said a moment ago they are definitely related. Aren't they identical? Have they not always been identical on cotton from 1941 on?

Mr. BEACH. You mean with the Treasury rate?

Senator ANDERSON. Yes.

Mr. BEACH. Yes.

Senator ANDERSON. Then why do you say they are related? They are identical.

Mr. BEACH. What I said was that they are related to the cost of money obtained by the Treasury in the market.

Senator ANDERSON. They are identical with the cost of money.

Mr. BEACH. That rate is determined ordinarily at the beginning of the year. Ordinarily it has not been changed much during the year although there has been fluctuation during the year in the cost of money to the Treasury.

Our rate with the Treasury has been changed 2 or 3 times this year so far.

Senator WILLIAMS. To what extent have you used this method of financing in each of the years since 1941?

Mr. BEACH. I could get that information for you. I do not have it with me.

Senator WILLIAMS. Will you supply it for the record at this point?

Mr. BEACH. That is on cotton up to this year?

Senator WILLIAMS. Give us the complete history of your past record of having used this method of financing.

Mr. BEACH. All right, sir.

(The information requested is as follows:)

Statement of certificate of interest financing, fiscal year 1954 and prior
 CERTIFICATES ISSUED PURSUANT TO CONTRACTS (COTTON LOAN PROGRAM)

Crop year	Certificates outstanding		Interest rate
	Date	Amount	
		<i>Millions</i>	<i>Percent</i>
1941.....	June 30, 1942	\$52.62	1½.
1941 and 1942 ¹	June 30, 1943	178.43	1½ and 1.
1942 and 1943 ¹	June 30, 1944	299.97	1½ and 1.
1943 and 1944 ¹	June 30, 1945	181.41	1½ and 1.
1945.....	June 30, 1946	5.17	1½.
1946.....	June 30, 1947	1.08	1½.
1947.....	June 30, 1948	3.71	1½.
1948.....	June 30, 1949	178.43	1½.
1949.....	June 30, 1950	92.83	1½.
1950.....	June 30, 1951	.27	1½.
1951.....	June 30, 1952	11.27	1½.
1952 ²	June 30, 1953		
1953.....	Dec. 31, 1953	487.00	2½.

CERTIFICATES ISSUED PURSUANT TO ANNOUNCEMENTS

Date of announcement	Date of issue	Amount sold	Interest rate	Commodities
		<i>Million</i>	<i>Percent</i>	
Oct. 14, 1953.....	Oct. 28, 1953	\$360	2½	Grains, etc.
Dec. 7, 1953.....	Dec. 17, 1953	450	2¼	Cotton.
Jan. 15, 1954.....	Feb. 2, 1954	125	2½	Grains, etc.
Jan. 15, 1954.....	Feb. 2, 1954	225	2½	Cotton.

¹ Loan maturity dates on the 1941, 1942, and 1943 cotton crops were extended and lending agencies holding certificates through such maturity dates were permitted to continue their investment and, therefore, receive interest at the rate of 1 percent per annum from the applicable Aug. 1, to date of purchase of the certificate by CCC.

² In 1952 lending agencies were required to hold the producer cotton notes at the place of disbursement and certificates were not issued. Certificates were again issued in 1953 and after the maturity date on 1952 crop cotton loans was extended to July 31, 1954, banks were offered the opportunity to purchase certificates evidencing participation in 1952 cotton loans still outstanding.

Senator THYE. I regret that I was not here at the outset so I did not have the full benefit of the statement. The question is simply this: That you are operating according to the Treasury's recommendation to you and the Treasury has given you what the interest rate on these certificates is to be in each of the issues.

Mr. GORDON. That is right.

Senator THYE. Consequently, what you have issued has been in accordance with what the Treasury Department recommended to you?

Mr. GORDON. That is right.

Senator THYE. And they have supervised you in every function? They know exactly the issuance and what the interest has been on each of the issues. That is the manner in which you have functioned?

Mr. GORDON. That is true. I think we should not conclude, just because Treasury is getting it at 1.7 or 1.2, that that is the rate which they will require us to pay them.

Senator THYE. I am not as concerned with that phase of it as I am to get this into the record that you have operated specifically at the Treasury's recommendation, and if there is any criticism of it, it is the Treasury's recommendation to you and what they suggested that you allow as an interest rate on the certificates.

Mr. GORDON. I can say that we have cooperated to the fullest extent with Treasury and we have been guided all the way through by their recommendations.

Senator THYE. These are certificates on commodities that you are responsible for. The commodities that are given as collateral by the producer, and which the producer is obligated for, and held by the local banks. There again the Treasury Department determines the amount of interest that the local banker can charge on the note which the producer signed when he received a commodity loan.

Mr. GORDON. The rate to the producer is set by the Board of Directors of the Commodity Credit Corporation.

Senator THYE. What influence does the Treasury have upon your decision as the Board of the Commodity Credit Corporation to determine what interest rate is going to be charged the producer who signs up and goes to the bank and signs the note for the money that the local bank advances him, whether it is on wheat or corn or whether it is on any of the other commodities?

Mr. GORDON. That is determined by the cost of money from Treasury.

In other words, as the rate from Treasury goes up then the rate to the farmer goes up.

Senator THYE. What did you charge the producer who got a commodity loan on wheat or corn last year?

Mr. GORDON. We charged 4 percent on loans, and banks retained $2\frac{1}{2}$ percent. That has been the historical relationship between the money borrowed and the cost of the producer.

Senator THYE. The producers paid 4, and the banker gets the benefit of that 4 percent, and the Treasury was out nothing because neither you nor the Treasury did anything more than to handle the paper when the commodity loan was granted.

Wouldn't that be right?

Mr. GORDON. Do you mean that would be true on loans that were redeemed?

Senator THYE. No; on the loans made on wheat and corn in the crop year 1953. Some of those loans are still being made, you know, the corn that is going under seal, and they are processing the execution of these loans right now in some of the Corn Belt.

Applications are in and they have not yet checked all the corn cribs. They have not sealed all the corn cribs and they are in the process of making loans on 1953 corn now.

Mr. BEACH. Yes, sir; in large volume.

Senator THYE. When they make the loan and this man's crib is qualified and represents, we will say, a thousand bushels of corn, then when he goes to the local bank with that paper he is paying 4 percent.

Mr. BEACH. That is right.

Senator THYE. Neither you nor the Treasury Department are responsible for that corn except to execute the issuance of the papers because the farmer is responsible for the corn as long as it is given as a chattel, and if he fails to either redeem or if he wants to surrender the

commodity then it becomes your responsibility in the course of the term of the agreement.

Mr. BEACH. Senator Thye, we do have responsibility for seeing that the corn is properly kept under seal, and there are reinspections of the collateral made during the period of the life of the loan.

Senator THYE. That is true, but if it is going out of condition you notify the producer and the producer has to surrender kind and quality.

Mr. BEACH. Right.

Senator THYE. I should have said quality and quantity.

Mr. BEACH. Yes, sir.

Senator ELLENDER. When was the rate of interest increased to 4 percent?

Mr. BEACH. That rate was increased on the 1953 crops for the first time. It was $3\frac{1}{2}$ percent in 1952.

Senator ELLENDER. What year was it increased?

Mr. BEACH. It was effective last year.

Senator ELLENDER. What month?

Mr. BEACH. I don't remember the actual date but I think the action was in the spring of the year before the announcement of the 1953 crop.

Senator ELLENDER. Of this past year?

Mr. BEACH. Yes, sir.

Senator ELLENDER. And prior to that time it was $3\frac{1}{2}$ percent?

Mr. BEACH. Yes, sir.

Senator ELLENDER. What caused this rise of a half percent, do you know?

Mr. BEACH. There was a rise in the rates at which we had to borrow money from the Treasury.

Mr. GORDON. From 2 to $2\frac{1}{2}$ percent.

Senator ELLENDER. That method was resorted to in order to raise the purchasing power of the dollar. That was the process that was entered into by the Administration.

Senator THYE. I think we are leaving a false impression here. You are not borrowing this money.

Mr. BEACH. No, sir, the producer borrows from the bank.

Senator THYE. This money is in the hands of the bank or the local banker and you are not taking any of this money out of the local treasury.

Mr. BEACH. No, but he was buying——

Senator THYE. Who?

Mr. BEACH. The banker could buy treasury securities and get a greater yield than he could the previous year.

Senator THYE. You mean the local banker?

Mr. BEACH. Yes, sir. In order to make it attractive for him to carry the Commodity Credit Corporation loans the rate that he obtained had to be sufficient and attractive enough to enable him to go ahead and make the loan.

The rate is also comparable to the rate that we pay the Treasury for the same reason. In other words, cost of money to the Treasury. They have a distinct and definite relationship.

The CHAIRMAN. Is the Chair correct in assuming that there are quite a few more questions to be asked? Is there likely to be con-

siderably more discussion on this matter? Apparently that is a correct assumption.

I am going to ask the clerk to see if we can get permission to sit this afternoon because apparently we have something of a deadline here. We have to take action on this matter before very long.

Senator HOLLAND?

Senator HOLLAND. I was impressed with the fact that the figures as to the present commitment of the Commodity Credit Corporation are not down to date, and that the best they could do was to estimate what the situation is right now and it is perilously close, as I got the testimony, to the borrowing capacity of the Commodity Credit Corporation. I wonder if the witness can give us more definite information on that. If it is as close as that testimony indicated we have not got very much time to work on this.

The CHAIRMAN. As the Chair understood the testimony of Mr. Beach in this hearing we are down to a few million dollars.

Mr. GORDON. \$16 million.

The CHAIRMAN. That could be used up in 3 or 4 days' time.

Mr. BEACH. I think I had better explain those figures.

The CHAIRMAN. Mr. Beach?

Mr. BEACH. As you know we have price support programs in approximately 3,000 counties in the country. Those counties approve the loans that are made before they are actually made by the local banks or by the CCC directly as the case may be.

The only way we can tell where we stand specifically as of a date is to have the reports brought together from all those counties at one time in the financial statements of the Corporation. That is done at the end of each month. The latest monthly figure we have is November 30. That showed a figure of \$5.7 billion of obligations against the borrowing authority.

On the face of the fact that the November figures indicated that our estimates ran about \$400 million behind what they actually turned out to be—

Senator ANDERSON. What is the borrowing authority of \$5.7 billion?

Mr. BEACH. That was the obligation as of November 30 against our borrowing authority.

Senator ANDERSON. The borrowing authority is \$6.750 million, plus \$100 million capital stock. And I am trying to get you down to \$16 million. You mean that the loans are \$6,850 million?

Mr. BEACH. You can ignore the capital because that is used before we start to consider the borrowing authority. The amount that we have borrowed—

Senator ANDERSON. I do not think you can ignore the capital.

Mr. BEACH. You can ignore it from the standpoint of this calculation.

Senator ANDERSON. Why?

Mr. BEACH. Because it is not reflected in our use of funds other than in assets—

Senator ANDERSON. I realize that. If I am in business and I put in \$10,000 cash and I am able to borrow \$10,000 more from the bank my total available cash is \$20,000, not \$10,000.

Mr. BEACH. Yes, but in our calculation of the use of borrowing authority we assume at the outset that we have used \$100 million of the assets. So what we have here is everything above \$100 million.

On January 22 we made this estimate and that indicated that we had borrowings from the Treasury—

Senator WILLIAMS. January 22 or January 15?

Mr. BEACH. This is an estimate made on January 22. The figures are of varying dates. The borrowings from the Treasury on January 21—this is an actual figure—were \$4,063 million, that is, actual borrowings from the Treasury, notes held by the United States Treasury.

We estimated that individual loans had been approved and were held by lending agencies or would be held by lending agencies some time in January—we do not know the specific time involved—to the extent of \$1,215 million.

We had certificates of interest—the certificates that have been discussed here—a known figure on January 15 of \$1,451 million. That is on our records.

Senator ANDERSON. Your borrowing authority?

Mr. BEACH. Yes, the certificates are counted as obligations against our borrowing authority.

Senator ANDERSON. It does not restrain the Government's borrowing authority. How does it restrain yours?

Mr. BEACH. It does not become a public debt transaction until the public funds are advanced. It is an obligation on our part because the charter requires that the borrowing authority of the Corporation be reserved to cover all demand obligations. This is a demand obligation.

Then we had in addition \$5 million of loans on storage facilities outstanding which brought us to a total of \$6,734 million, as near as we can estimate, as being the commitments or potential commitments in January against the borrowing authority of the Corporation.

Senator ANDERSON. Have you any chart which shows the usual fluctuations in the borrowing of the Commodity Credit Corporation?

Mr. BEACH. Yes, sir.

Senator ANDERSON. When does it start dropping off?

Mr. BEACH. Ordinarily February to March is our peak. I can give you the figures clear back to 1948 if you would like to have them. I would like to cite what the reasons for this situation are, basically.

In the case of corn, of the total amount that is estimated to go under price support of the 1953 crop, 15 million bushels went under by November 30 of this year. The highest we have ever had previous to that time, since the 1948 crop, was 11 percent, and in that year we only put 27 million bushels under loan.

The average runs between 3 and 6 percent of the total by November 30.

Senator ANDERSON. Was there any change in dates on the program?

Mr. BEACH. No, sir. Just a change in the inclination of farmers to put it under loan. In the case of wheat, where the average runs anywhere from 69 to 83 percent by November 30 we had 89 percent under loan by November 30.

In the case of cotton we had 93 percent under loan by January 15.

Senator ANDERSON. Of the crop?

Mr. BEACH. No, sir; not of the crop. Of the estimated volume to go under loan of the 1953 crop. Our estimates assume 6½ million bales would go under loan.

The proportion through November 30 was about 93 percent under loan, which is considerably higher than the usual proportion of the total price-support volume by that date.

Trade estimates now are about 7 million bales which is higher than our estimates.

Senator ANDERSON. Actually cotton is going under loan faster than we have ever seen it go under loan.

Mr. BEACH. That is right. That is one of the reasons for our difficulty. As to the actual trend in Treasury borrowings, I can give you any amount of figures you want on that. What did you have in mind in particular on that point?

Senator ANDERSON. Several times we have discussed this question of the borrowing power of Commodity Credit. I am not trying to say that you do not need it. But I remember that Secretary Brannan testified at one time as to how much money he was going to need and he did not use that money for years. In fact, I do not think he used it at all during the time he was Secretary.

The CHAIRMAN. We had the Korean situation come on. He would have used it.

Senator ANDERSON. I agree that the cotton situation is going to change it and the wheat situation is quite serious.

Mr. BEACH. In that year, Senator Anderson, we went up to a peak of \$4,381 million of total obligations in February 1950. We had anticipated going considerably higher than that.

Senator ANDERSON. How far did you go?

Mr. BEACH. \$4,381 million.

The CHAIRMAN. We were headed for the ceiling then, if it had not been for the Korean outbreak.

Mr. BEACH. The financial obligations decreased about a billion dollars within the next 11 to 12 months.

The CHAIRMAN. This seems a pretty good place to recess until 2 o'clock.

The committee is in recess.

(Whereupon, at 12:25 p. m., the committee recessed, to reconvene at 2 p. m. the same day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will come to order.

Senator Anderson left a question to be asked of the witness. It is as follows:

Is it not the policy of the Department of Agriculture always to leave to the Treasury Department the question of interest rates and the situation of the money market? For instance, when the Federal land bank bonds were sold, the directors of the Federal land bank have full authority to set the rate of interest. They always do it in conjunction with the Treasury and the Federal Reserve Board. The people in the Department of Agriculture are not experts on money matters and should not try to be, in my opinion.

Senator Anderson had the impression that the Commodity Credit men were taking the financing and fixing of interest rates in their own hands.

Would you like to elaborate on that?

Mr. GORDON. That is absolutely true, Mr. Chairman. I would like to point out also that perhaps there was a little confusion this morning with respect to the rate at which Treasury could borrow on short-term notes and the rate which they charged Commodity Credit Corporation.

For instance, back in September the rate to the Commodity Credit Corporation was 21½ percent. In October, when the first certificates

were offered, it was 2.375 and Treasury set the rate on certificates at $2\frac{1}{2}$ percent.

In December and January it had dropped to 2 percent and they, on those two issues, dropped the rate then to $2\frac{1}{4}$ and $2\frac{1}{8}$.

So you see they are keeping that relationship fairly close to the rate which they charge Commodity Credit for Treasury money. I think it would be well to have in the record an indication of that, rather than too much stress on the 1.7 or the 1.2 rate which they may be currently able to get short-term money for.

The CHAIRMAN. That is apparently what Senator Anderson wanted to have clear for the record.

Mr. GORDON. There was also some discussion this morning on the matter of producer interest rates and who gets it. I might point out that even back in 1933 to 1939 the interest rate to producers was 4 percent. As the market weakened it went down and now it is back up to 4 percent.

I would like to have Mr. Beach point out just who gets that 4 percent because I think that would be good to have in the record.

The CHAIRMAN. Very well, will you do so, Mr. Beach?

Mr. BEACH. The producer pays 4 percent on his loan. The bank retains $2\frac{1}{2}$ percent and the Commodity Credit Corporation gets $1\frac{1}{2}$ percent. If the producer does not redeem his loan, he pays no interest. On those loans the Commodity Credit Corporation pays the bank the interest, and the Commodity Credit Corporation gets no interest. It is a margin that has been constant over the years.

Mr. GORDON. It is a balancing process.

Senator ELLENDER. When the producer fails to pay you then take over the commodity?

Mr. BEACH. That is right; but he pays no interest.

Senator ELLENDER. I understand that. That is because you take over the commodity.

Mr. GORDON. That is right.

Senator ELLENDER. It is only when you become owner of it that the loan is canceled out.

Mr. BEACH. Right. But the bank gets its interest whether or not the producer pays.

Senator ELLENDER. I understand that the bank gets its interest up to the time that you take over. Of course, any interest in arrears, you mean, the Commodity Credit Corporation would have to pay, and that payment is at the rate of the contract between the producer and the bank.

If it is $3\frac{1}{2}$ or 4 percent, the bank pays the difference on it?

Mr. BEACH. No, sir. The contract between the Commodity Credit Corporation and the bank is that the bank will get $2\frac{1}{2}$ percent on the amount of those notes regardless of whether the producer pays them off.

If the producer does not pay it, CCC does.

Senator ELLENDER. For what period of time, as a rule, is the producer permitted to be in arrears in the payment of his interest?

Mr. BEACH. He would settle for his interest at the time he paid off his loan.

Senator ELLENDER. I understand that. Don't you force him to settle every 2 months or 3 months?

Mr. BEACH. No, sir.

Senator ELLENDER. Year to year?

Mr. BEACH. Just at the time he pays off his loans.

Senator ELLENDER. So that in the event the producer fails to pay up his loan or sell the commodity, then the Commodity Credit Corporation pays that year's interest to the bank?

Mr. BEACH. For the number of months that they held that paper; yes.

Senator ELLENDER. The entire amount?

Mr. BEACH. It would be at $2\frac{1}{2}$ percent.

Senator ELLENDER. Two and a half to the bank and one and a half percent to the Treasury?

Mr. BEACH. The $1\frac{1}{2}$ percent would ordinarily have come to CCC but since it is not being paid CCC gets nothing.

Senator ELLENDER. But isn't that money loaned?

Mr. BEACH. You see, the producer's rate is 4 percent. If the loan is not redeemed, he does not pay any interest to anybody, so the only interest settlement that has to be made is between the Commodity Credit Corporation and the bank.

Senator ELLENDER. Commodity Credit pays for it?

Mr. BEACH. We borrow from the Treasury; yes, sir.

Mr. GORDON. The $1\frac{1}{2}$ percent—the difference between the $2\frac{1}{2}$ that goes to the bank and the 4 that is charged to the producer—is the historical difference which has prevailed for many, many years.

Senator ELLENDER. As I pointed out this morning, the thing that concerns me is to have an agency of Government competing with the Treasury in these short-term loans. In fact, in obtaining the interest rate, it is bound to cause the rate to be up. It strikes me if you dealt directly with the Treasury, or let the Treasury do it——

Mr. GORDON. We did it this time.

The CHAIRMAN. As I understand it, the Treasury directs your operations when you go into financing for yourself.

Mr. GORDON. Yes, sir; they do direct our operations and the fact that we had out $2\frac{1}{2}$ percent certificates and $2\frac{1}{4}$ percent certificates and now $2\frac{1}{8}$ apparently has not affected their sale of securities because they have gone down.

Senator ELLENDER. But that comes about when you go to them and ask for permission to offer this block at so much, and of course you are going to have the bank come in.

That is what you do.

Mr. BEACH. No, sir.

Senator ELLENDER. That is what you said in your statement: That you offered a block of \$361 million, and in the beginning you said the rate of interest would be $2\frac{1}{2}$ percent.

Of course it was oversubscribed, I think, 4 or 5 times.

Mr. BEACH. That is right. My point in saying "No, sir," is that we do not ask permission to offer a block. We arrange with the Treasury the rate, the timing of the offering, and all of that.

Mr. GORDON. And whether they want to make the loan or whether they want us to pursue this route.

Senator ELLENDER. As a matter of fact, you have answered the question: That the reason why you thought it was best to proceed in that way was to assist in not going through the roof on your borrowing, your borrowing limit.

Mr. GORDON. Yes, sir.

Senator ELLENDER. I will not argue further. There may be a good reason to raise the debt limit, so as to same interest.

Mr. BEACH. There is another point that is involved and that is that it does give a broader use of private trade facilities in carrying out CCC operations.

Senator ELLENDER. There is no doubt that it does that but at a greater cost.

The CHAIRMAN. I understand, Mr. Gordon, that you have been before the House Appropriations Committee.

Mr. GORDON. Yes, sir.

The CHAIRMAN. You asked to have the loss of capital caused in the 1952-53 operations restored?

Mr. GORDON. Yes, sir.

The CHAIRMAN. When you get that capital, it will relieve the urgency for taking quite so prompt action on this legislation.

Mr. GORDON. Of course if it were not for that approach then the need for immediate action would be extremely urgent.

The CHAIRMAN. You would have to have one or the other?

Mr. GORDON. We would have to have one or the other. At the request of the House Appropriations Committee we went there at 10 o'clock this morning instead of coming here. We understood that they hope to report the bill out this afternoon providing for restoration of \$741 million in capital which we hope will see us through until the 1st of July, at which time we would hope this bill would be in effect.

The CHAIRMAN. On this bill, S. 2714, which if passed would be effective July 1, 1954, do you think it is safe to leave that date in there?

Mr. GORDON. I am not sure that it is.

The CHAIRMAN. What is the advantage?

Mr. GORDON. This trend toward a very rapid increase in the number of loans has happened in the last month and it is beginning to cause us some real concern. We wonder if action should not be taken on this prior to July 1—in other words, as soon as possible.

The CHAIRMAN. Why do you not have it take effect upon passage, or 30 days thereafter?

Mr. GORDON. I think it would be a great deal safer from everyone's standpoint if it did.

The CHAIRMAN. What was the idea in having it take effect on July 1?

Mr. GORDON. We did not anticipate we would be short of money before that time.

The CHAIRMAN. Did you anticipate any unusually large purchases and loans from now on? Or have you a good share of the commodities?

Mr. GORDON. No, sir; we are going to have a tremendous volume of dairy products. We are going to have, I think, at least a half million more bales of cotton that we had anticipated, which is a substantial amount.

The corn and wheat loans will continue for——

Mr. BEACH. Wheat will continue until January 31, corn through May 31.

Mr. GORDON. There is another 4-month period in which we would be getting in additional commodities.

Senator WILLIAMS. At what rate are they going under loan now?

Mr. BEACH. The cotton loans increased from November 30—

Senator WILLIAMS. Do you not have an average daily rate of what it is running now?

Mr. BEACH. Not on a daily basis; no, sir. We do have a figure which indicates what percentage we have in the loans to date. Corn was running heavy on the 1953 crop; we had 94.8 million bushels placed under loan by December 15.

Senator WILLIAMS. What have you done with your 1948 corn?

Mr. GORDON. I am going to come up to talk to you about it Wednesday, sir.

Senator WILLIAMS. What are you going to be able to tell us then?

Mr. GORDON. We are going to tell you what the situation is and ask you if we cannot do something about it.

The CHAIRMAN. We are planning an executive session Wednesday morning to discuss ways and means of disposing of some commodities.

Senator WILLIAMS. Do you have a definite program?

Mr. GORDON. Yes, sir.

Senator WILLIAMS. A year ago I was concerned and you were very confident that there was no trouble at all. You took exception to my suggestion that there might be a prospective loss. What has happened since that time to change your opinion? Has something happened to the corn in the last few months?

Mr. GORDON. No. I think that the situation is this: We have taken into inventory now a very substantial amount of 1952 crop corn which was of equal quality to the 1948-49 corn. We agree with you that commonsense tells you that corn, which is 5 and 6 years old, is bound to have deteriorated to some extent, even though from the standpoint of appearance it may not have.

There is bound to be a chemical deterioration there and so forth. It is just a matter of prudence to try to begin to move that corn into normal channels of trade.

Senator WILLIAMS. How much did the market advance over the support price in 1948?

Mr. GORDON. That I could not say.

Senator WILLIAMS. It was about 75 cents a bushel; was it not? It was over the support price, I know.

Mr. GORDON. Incidentally, with respect to this—

Senator WILLIAMS. Am I correct in that?

Mr. GORDON. We will check that now.

The CHAIRMAN. That corn would sell today for as much as the Government loan on it?

Mr. GORDON. Yes; we would anticipate that it would bring support price as a minimum.

Mr. BEACH. I have the average market price for No. 3 yellow corn at Chicago in the crop year 1948. It was \$1.38. The average amount loaned per bushel was \$1.39 on the same crop.

Senator WILLIAMS. How much storage cost per bushel do you have in the 4 years?

Mr. GORDON. That has run about 8 cents per year per bushel.

Senator WILLIAMS. That is about 30 cents?

Mr. GORDON. Yes, sir.

Senator WILLIAMS. That is \$1.70 you have in it now?

Mr. GORDON. Yes, sir. The loan rate in most of those counties would run about \$1.58.

Senator WILLIAMS. The loan rate today is \$1.58?

Mr. GORDON. I think that is right.

Senator WILLIAMS. That is today. And you have about \$1.70 in this 1948 corn.

Mr. GORDON. I would judge so.

Senator WILLIAMS. You think you could move that and get your money back?

Mr. GORDON. We can get the loan rate back out of it. With the free corn as short as it is, I think it is inevitable that the whole market is going to move upward.

Senator WILLIAMS. And you are going to get the most of your money back?

Mr. GORDON. I think so.

Senator WILLIAMS. Then why are you asking more money here with which to buy corn? If you can get your money back, why do you not sell the corn on hand and get \$1.70?

Mr. GORDON. We will be putting in a new crop.

Senator WILLIAMS. Isn't it a fact that you will be paying \$1.58 today because the market has not been below that figure? Isn't that the reason you get it under loan?

Mr. GORDON. Yes, sir.

Senator WILLIAMS. And if 1952 corn is at \$1.58 or below in the current market, isn't it also a fact that it is absurd to talk about getting \$1.58 or the equivalent of it for 1948 corn?

Mr. GORDON. No, sir.

Senator WILLIAMS. You think you can get it?

Mr. GORDON. That corn, because it is so dry and so forth, has been in great demand from the processors.

Senator WILLIAMS. You may be right. I will be looking for you on Wednesday because you are telling me something I have never known before.

Mr. GORDON. Plus the fact there is a great demand for this corn at the bin sites, rather than at the terminal markets.

Senator WILLIAMS. I am very much interested. How much reserve do you have?

Do you have the November 30 report there?

Mr. GORDON. We have about 180 million bushels of the 1948-49 corn.

Senator WILLIAMS. How much reserve are you carrying as a prospective loss on corn?

Mr. GORDON. Incidentally we are moving a couple of million bushels. We have been now for months.

The CHAIRMAN. Is this corn generally distributed over the country?

Mr. GORDON. Yes, it is quite generally distributed.

Mr. BEACH. Senator Williams, the total reserve for losses on corn inventories—and this doesn't show 1948 corn separately—was \$116,500,000, as of November 30.

Senator WILLIAMS. That is the nearest estimate as to the prospective loss that you will take on the corn?

Mr. BEACH. Yes, sir.

Senator WILLIAMS. Yet you tell us that you will get your money back. I just don't understand it.

Mr. BEACH. In addition to that there is a reserve of \$55,129,000 for losses on loans outstanding.

Senator WILLIAMS. On one hand you tell us you are anticipating a loss and on the other hand you tell us that you will move the corn out and get your money back.

Mr. GORDON. Maybe we had better explain this: These reserves which are set up as against loss are reserves which are based on the best data we can get together with respect to market and all that sort of thing. We, of course, adjust these monthly in line with our thinking with respect to the situation. Whether we get our money back out of this corn or not is going to depend on whether the market rises to above the loan level. My statement was based on the feeling that with the free corn supply as short as it is, there is bound to be a rise in the market toward that support level and possibly above the support level, which will give us an opportunity to feed this corn into the market and recover on it.

Mr. BEACH. Of course, there is the other point, too, Mr. Gordon, that we don't have under loan or in inventory a substantial part of the 1953 corn that will go into loan before May 31. In other words, we will later have a tremendous addition to the inventory.

Senator WILLIAMS. The point I don't understand is that on at least a couple of occasions when you have had this corn, the 1948 corn, in inventory, the market was up substantially above your support level and even the President of the United States at the time criticized the rapidity of the market advance and suggested we put controls on the price of corn to hold it down. Why didn't you move your corn?

Mr. GORDON. That was prior to this past year; wasn't it?

Senator WILLIAMS. Yes. But you were with him then; weren't you?

Mr. GORDON. No, sir.

Senator WILLIAMS. Do you have someone down there who was with them? Have you changed the whole staff? I hope you have but I doubt it.

Mr. GORDON. We haven't changed the whole staff by any means.

Senator WILLIAMS. I wish you would bring down some of those who were with them then.

Mr. GORDON. You had them that day.

Senator WILLIAMS. Yes, and they told me they haven't lost any money, but then you ask for more money to replace losses. I have been unable to understand you. Somebody made the decision to keep this corn off the market, which created an artificial shortage. I agree fully with the Department of Agriculture's statement that there was a technical corner in the corn market at that time, but I think you fellows were responsible for it.

I think that the market was cornered and that Government had it cornered. I would like to know who made that decision.

Senator ELLENDER. I have a faint recollection that the past administrators of the Commodity Credit Corporation were severely criticized for not disposing of this old corn. I am wondering why it is that the newcomers didn't see fit to dispose of it. There must be some problems attached.

Senator WILLIAMS. The market hasn't been up since the new administration has been in. I am not excusing them any. The market hasn't been up where you could have sold it in the past 12 months.

Mr. GORDON. I can give you two reasons why we have been unable to act. One is that if we had fed an unusually large amount of this corn on the market, we would break the market rather substantially. We experimented with it, between 1 and 2 million bushels, until we finally found that we could move $1\frac{1}{2}$ to 2 million bushels of this corn which is deteriorating or in danger of deterioration without affecting the market.

We put it, of course, on the terminal markets on the basis of the market price. We could not sell at bin sites any corn which we could not point to as deteriorating at less than 105 percent less ordinary normal carrying charges, reasonable carrying charges. So those two things have kept us from taking any more positive action.

In other words, the price level was quite a bit below the 105 percent.

Senator WILLIAMS. I think you are right on that—I agree with you—for the last few months, but that situation will still be true this year.

Mr. GORDON. In 1947, 1948, 1949, along in that period, there was a time when it could have been sold for as high as \$2.44 a bushel, but CCC had no inventory of significance until early in 1950.

Senator WILLIAMS. And at that time the administration was asking for, yes, even advocating, controls over the price of corn to hold the market down. They were complaining about the unscrupulous speculators withholding corn from the market when it should have been put on the market, and now we find that they were the worst violators. I would like to know who in your Department made the decision and if any of them are still on the payroll.

Mr. GORDON. I assume that that determination would be made by the Board of Directors of the Commodity Credit Corporation, and not at the working level.

Senator WILLIAMS. Has there been a 100-percent replacement in the Board of Directors?

Mr. GORDON. Yes, sir; except for one member.

Senator WILLIAMS. Where did the others go? Are any of them left?

Mr. GORDON. The Board of Directors of the CCC was made up prior to this administration very largely of PMA employees.

Senator WILLIAMS. Are they still on the payroll?

Mr. GORDON. Some of the employees are.

Senator WILLIAMS. I would like to have a list of every member of the Board of Directors who is still on the payroll, who took part in that decision.

Mr. GORDON. We would be glad to get that information for you.

Senator WILLIAMS. And I would like to have you bring them in or ask them what was behind that decision. I think it is important that we know.

Mr. GORDON. I don't think there is anybody in PMA now or in the Commodity Stabilization Service now who was on the Board of Directors prior to January 20. I am quite sure there isn't because it was made up at that time of your deputy administrator and the very top group which is gone.

The makeup of the Board at the present time is the Secretary, of course, the Under Secretary, the three Assistant Secretaries, O. V. Wells, who is Administrator of the Agricultural Marketing Service, and myself.

Oris Wells was on 1 year prior to this.

Senator WILLIAMS. Will you get a list of the old members of the Board and check to see if they still are there? If they are, I would like to have some of them in here to explain this.

Mr. GORDON. They are not on the Board now.

Senator WILLIAMS. If they are in some other policy positions, I would like to have it here.

With the exception of Mr. O. V. Wells, who became a member of the Board of Directors of the CCC on November 5, 1951, and who is now Administrator of the Agricultural Marketing Service, none of the members of the Board prior to January 20, 1953, are now employed by the Department.

The CHAIRMAN. In all fairness, Senator Williams, I think we ought to call attention to the fact that several members of this committee were highly critical of the disposition of corn as fast as they were doing it a year ago, with the feeling that it was depressing the market.

Senator WILLIAMS. I just stated that during the recent months there has been no opportunity, and I think that Mr. Gordon is correct that perhaps since he has been there there has been no real opportunity to dispose of it in any major quantities. But on two occasions, just in 1949 and then when the Korean war broke out, corn did move up rapidly when it could have been moved at a profit and not only would it have made a profit for the Commodity Credit Corporation, but it could have gotten rid of the corn, and it would have helped the industry because there was a shortage of corn.

Mr. GORDON. In the period 1947 to 1948 when the prices were so high there was no inventory at all. When we get down into 1950, there was a period from June 1950, to June of the next year, maybe into September to December, when it would have been possible to make some movement of corn, because there were inventories available.

I would assume there were policy reasons why it was done.

Senator WILLIAMS. I am sure there were, but I want to know what the policy reasons were. There must be some record somewhere. I know there was enough said about it in Congress so that somebody sat down and made a decision, and maybe one with which we will agree. I would like to see it.

The CHAIRMAN. Senator Ellender?

Senator ELLENDER. I also recall there was quite a lot of criticism about the fact that the inventories weren't properly kept to show what was on hand, to show actual losses. Have you been able to set up records to reconcile them?

Mr. GORDON. Yes, sir. We have done a great deal of work during the past year on that. I think we have made some very substantial progress in that direction.

Senator ELLENDER. Are you able to tell us what you have found? Have you found any discrepancies worth mentioning?

Mr. GORDON. I would like, at some time convenient to the committee, to bring Mr. Somers up. He is the controller of the CCC and responsible for the inventory controls, and let him outline the basic principles of what we are doing now and what he may have found out. I think the committee would be interested in an hour or so of discussion of that sometime.

Senator ELLENDER. Are you asking for a cancellation of any of the moneys that you owe by way of losses?

Mr. GORDON. Yes, sir.

Senator ELLENDER. What does that amount to?

Mr. GORDON. \$741 million.

Senator ELLENDER. Can you tell us what that reflects? Is there a charge to inventory?

Mr. GORDON. The International Wheat Agreement accounts for \$129 million. There is an item in there for a loan to the Secretary for hoof-and-mouth disease for approximately \$2 million, and the balance of \$609 million represents the appraisal by the Treasury Department as to what the deficit was as of June 30, 1953.

Senator ELLENDER. You mean if they sold it.

The CHAIRMAN. Depreciation of value?

Mr. GORDON. Largely a depreciation of value.

Senator ELLENDER. It is not an actual loss?

Mr. GORDON. It is not all an actual loss.

Senator ELLENDER. You have the goods on hand and it is an appraisal of what the losses would be if you were to dispose of them at the then market value?

Mr. BEACH. The law requires that the appraisal be made on the basis of the average market price in June, or cost, whichever is lower.

Senator ELLENDER. In this sum, of course, I presume is included the accumulated storage?

Mr. BEACH. Yes, sir.

Senator ELLENDER. The interest charges and handling charges of all the commodities?

Mr. GORDON. Yes, sir.

Mr. BEACH. The major part of that deficit is estimated losses.

Senator ELLENDER. I don't know whether I should ask this question now or not, Mr. Chairman, but sometime ago I wrote to the Department to send us a statement as to the collections, if any, that were made as against the grain that was embezzled some time ago. As I recall, during our hearings on Commodity Credit Corporation there was a loss fixed at \$6 or \$8 million, whatever it was.

Mr. GORDON. As I remember, it was around \$5 million.

Senator ELLENDER. And that we were going to be furnished each year with a statement indicating how much, if any, of this loss was actually recovered. Up to now I have not received a report on that and the time is past for you to make that statement.

Mr. GORDON. We will get busy and make a report on that.

Senator ELLENDER. I wish you would. Under an order from this committee you are supposed to do it every year.

The CHAIRMAN. Someone made the statement the other day, Mr. Gordon, on that by the 1st of May the storage charges on Government commodities would amount to close to a million dollars a day. Is that reasonably accurate estimate?

Mr. GORDON. No, sir. Our present costs are running about \$14 million a month, which is a little under half a million dollars a day. That is \$168 million a year. That was in anticipation of a greatly increased inventory. Some is in loans, a large part of which will be taken over. When that time comes we will have perhaps as much as \$1 million a day.

The CHAIRMAN. How much are you spending for the purchase of dairy products each day?

Mr. BEACH. From November 30 to January 19 we spent \$40 million. That would have been 31 plus 19 days, or about 50 days.

The CHAIRMAN. That is December 31, to when?

Mr. BEACH. From November 30 to January 19 we spent \$40 million.

The CHAIRMAN. Not quite a million dollars a day.

Mr. BEACH. It is on an upward trend.

Mr. GORDON. The Secretary testified that by the first of January \$14 million were spent on butter. You have cheese in addition to that.

The CHAIRMAN. Running something like a million dollars a day, and not selling any of it at this time of the year.

Senator ELLENDER. I was informed some time ago that in some areas some of the farmers found it more profitable to take the milk and convert it to cheese and butter. They are converting more of it to cheese and butter. Do you find that?

Mr. GORDON. Yes, sir. There are situation under which it is more profitable to convert to butter and cheese than to sell as whole milk.

Senator ELLENDER. They are in effect dumping it on Uncle Sam's lap. That is happening; isn't it?

Mr. GORDON. Yes, sir. We are doing this: We are getting a weekly report from this time on, a weekly telegraphic report, so that we can keep up with this trend to see whether it continues at this greatly accelerated rate.

Senator WILLIAMS. You said this morning that you had about \$16 million left, which had not been used as of a certain date.

Mr. GORDON. Yes, sir.

Senator WILLIAMS. As of what date?

Mr. BEACH. As I explained this morning, that is a composite figure made up of 2 or 3 different dates. We used the actual borrowings from the Treasury as of January 21. We also used the amount of loans that had been approved by the county offices through January 15. Then we had our certificate figures on an actual basis as of January 15 which would have been about the same on January 21. We had loans held by lending agencies based in effect on loans approved as of January 15.

Senator WILLIAMS. So you may be through it now?

Mr. BEACH. Yes, sir. On the other hand, we may not. We don't know the time lag between the approval of loans and the actual disbursement by the lending agencies.

Senator WILLIAMS. Would you have any objections, instead of the authority to cancel these notes, some \$700 million, to having Congress just change its policy to a straight appropriation basis?

Mr. GORDON. No, it is immaterial to us.

Senator WILLIAMS. Which would you recommend?

Mr. GORDON. I think as far as we are concerned we would prefer to see the straight appropriation.

Senator WILLIAMS. It would put a clearer picture before the people of what a program costs, and you could come before the Appropriations Committee to justify the costs.

Mr. GORDON. We have no desire to cover that up. That certainly would present a clear picture.

Senator ELLENDER. It is possible to cover up under your present method?

Mr. GORDON. No, but it is not clearly understood.

Senator WILLIAMS. We have confusion within the committee as to what the programs cost. If we have a direct appropriation we could tie it to the various appropriations. It would be listed and we would have a more accurate record.

Senator ELLENDER. What effect would that have in getting the funds?

Mr. BEACH. The effect would be the same.

Senator WILLIAMS. It wouldn't change the effect of getting funds and it would represent no savings. It is just a change in the book-keeping system of a direct appropriation instead of a cancellation.

Mr. GORDON. We think that is up to Congress and the Treasury Department rather than to us. It is immaterial to us.

Senator ELLENDER. In order to cancel out you must come to Congress.

Mr. GORDON. Oh, yes.

Senator ELLENDER. The other way, as suggested by Senator Williams, you would have to come to Congress in the same way. It would be possible in either case, though, to ventilate the whole subject-matter and find out the facts.

Mr. GORDON. That was done in the Appropriations Committee this morning. A very clear statement was written into the record.

Senator WILLIAMS. Senator Holland, do you have some questions? We are about to conclude. May I ask first: Have you arrived at any decision on what you are going to do with dairy products next year?

Mr. GORDON. No, sir. That will come before the board of directors some time between now and March 31, but we have had no real discussion.

Senator WILLIAMS. It would make a difference as to the amount of money that you needed; wouldn't it?

Mr. GORDON. It would make some difference, yes. I am afraid, however, it wouldn't make enough difference to figure very heavily in this matter.

Senator WILLIAMS. What proportion of your investment is in commodities upon which the support is discretionary with the Secretary?

Mr. GORDON. The bulk of the investment is in corn, wheat, and cotton which are mandatory, and the minor amount is in the dairy products which is discretionary.

Senator WILLIAMS. There are others that are discretionary, such as grass seeds?

Mr. GORDON. We are not now supporting grass seeds at all. We have discontinued supports on them. Cottonseed we have cut to 75 percent, flaxseed is now 70 percent—it was 80 last year. There are a number of other minor items. I have mentioned the principal ones, the ones that call for the major amount of funds.

Senator HOLLAND. Some are mandatory and yet discretionary as to the exact amount?

Mr. GORDON. Excuse me a minute. Could I get this figure? \$4,200 million for the mandatories as against \$5,248 million total as of November 30; four-fifths of the total in the basics.

Senator HOLLAND. Some are mandatory, but leave discretion to the Secretary as to the amount.

Mr. GORDON. That is right. Tung oil and honey are two of those. Dairy products and wool are two more.

Senator HOLLAND. Have you those figured in the \$4.2 billion?

Mr. GORDON. No. They would be in the billion group.

Mr. BEACH. As of November 30 the investment in the discretionary mandatory, that is, the designated nonbasics, was \$467 million.

Senator HOLLAND. Then about all but a half billion dollars are in the mandatory group?

Mr. GORDON. That is right. A total of \$584 million was invested in the nonmandatory group.

Senator HOLLAND. I notice your last sentence in your prepared statement to the effect that "Unless the proposal for setting aside reserves of \$2½ billion of commodities made in the new farm program submitted to Congress on January 11, 1954, is approved, and unless separate provision is made for financing this reserve, it will likely be necessary to request a further increase in borrowing authority in order to support the 1955 crop prices."

This means, doesn't it, that unless two things happen, that is, the passage of a new farm program incorporating this \$2½ billion reserve and, second, that a separate provision be made for financing that \$2½ billion, unless both of those things happen you expect to ask for further increase after the completion of financing this year's business?

Mr. GORDON. We fear that it will be necessary. The only relief that the \$2½ billion would give would be in case it were transferred to a strategic stockpile and Commodity Credit Corporation reimbursed. Otherwise it wouldn't help at all.

Senator HOLLAND. You remember, do you not, that the Secretary in his testimony made it very clear that he was not recommending setting aside of the reserve of \$2½ billion except as a feature of a new program in which flexible rather than high level fixed supports should be the key provision.

Mr. GORDON. That is right.

Senator WILLIAMS. Mr. Gordon, this has perhaps nothing to do with the question before us here, but I am not quite sure that I understand what they mean by setting aside the \$2½ billion in commodities. Does that mean that they will be set aside from a bookkeeping standpoint only?

Mr. GORDON. I would hope not, because I don't think you would accomplish anything in the world by that. I would hope that if they are going to do something of that kind that they would actually be physically removed from the Commodity Credit inventory and transferred to some other governmental agency, presumably whoever might be handling the strategic stockpiles, and Commodity Credit completely reimbursed for it so it can have no connection.

Otherwise I see no chance of insulating those supplies from the market.

Senator WILLIAMS. If that is done as you have outlined and set aside completely, and assuming that Congress adopts the President's recommended farm program of so-called flexible supports, what effect would this set-aside on these commodities have on the effective date of the lowering of the support price? We will take as a specific example wheat, corn, and others.

In other words, what would be the difference in the effect of a support price if Congress adopts the President's recommendations with-

out the set-aside or with the set-aside? I am figuring from the support angle only.

Mr. GORDON. As the President very clearly stated in his message, unless there is this set-aside of strategic reserves it would be impossible to start out immediately with the flexible support program because the carryover which has to be figured into your computation would be so heavy that there simply wouldn't be any flex there. The program wouldn't have enough to work with on the basis outlined.

Senator WILLIAMS. So that I and others can understand it, let's take some commodities—wheat, corn, and cotton. Mathematically, how would it work, with and without the set-aside? What would be the support price under present-day circumstances of those three commodities in the year 1955 with or without that provision being adopted?

Mr. GORDON. We haven't the computation on that. I am quite sure what would happen is this: With the tremendous carryover we have, your supports would be the minimum provided under the flexible support.

Senator WILLIAMS. In other words, it would go back to 75?

Mr. GORDON. It very likely would.

Senator WILLIAMS. Under the law, if I remember, they cancel five points a year.

Mr. RICHARDS. I don't know. Corn is not included in the strategic reserve.

Senator WILLIAMS. They could go to 75, then.

Senator THYE. Mr. Chairman, I don't believe I understood the question that you were raising.

Senator WILLIAMS. The question is, under the President's proposal it recommends a set-aside of \$21½ billion in commodities. I just asked him to reduce that to a dollars-and-cents support price, prospective support price, as to what it would be if we adopted the President's program without the \$21½ billion being set aside and what it would be if we adopted it.

Senator THYE. You mean if we adopted the flexible price support, the entire proposal that was in the President's message?

Senator WILLIAMS. Without \$21½ billion, and what would the support price be with it? I asked him to reduce that to dollars and cents with wheat, corn, and cotton.

Mr. GORDON. We can get that for you. Presumably the theory in back of the President's recommendation is this: that the \$21½ billion set-aside would allow for a more orderly reduction in the level of support than would occur otherwise. In other words, it would be at the basis of not over 5 percent a year.

Senator WILLIAMS. I understood that and I am not in disagreement with it necessarily. Don't get me wrong in that. I am trying to get the answer in a dollars-and-cents figure, the effect it would have with or without the set-aside. I would like to have you project that for the next 3 years.

Mr. GORDON. We will get that.

Mr. RICHARDS. We are working on a proposed bill to implement the President's message. Those proposals will be before you. I don't know, if you wouldn't mind, we would like to wait until we get it cleared up.

Senator WILLIAMS. I saw the other day a little hint that perhaps it would have the effect of projecting the 90 percent for an extra year or two under the formula.

Mr. GORDON. You mean the set-aside would?

Senator WILLIAMS. Yes. And project the effective date of the flexibility of the formula. I wonder if it would.

Mr. GORDON. We will get that information.

Senator WILLIAMS. If it were figured in mathematically—you would have to take it on the assumption of the present-day positions—we could understand it better.

(The information requested follows:)

The minimum level of price support for the 1955 wheat crop would be 75 percent of parity—the bottom of the 75 to 90 percent flexible range provided in section 101 of the Agricultural Act of 1949, as amended, if no reserve of the type recommended in the President's message is established. If such a reserve is established, the effect on the 1955 crop-support level will depend upon the amount set aside. For example, if a reserve of about 400 million bushels of wheat valued at about \$1.1 billion is established, the minimum level of support would be increased to around 77 percent of parity. A reserve of 500 million bushels of wheat valued at about \$1.4 billion would result in a minimum level of support of about 82 percent of parity.

In the case of corn, the President's message did not recommend establishment of any reserve. On the basis of supplies in prospect under acreage allotments in 1955, the minimum support level for 1955-crop corn would be about 87 percent of parity under the present provisions of section 101 of the Agricultural Act of 1949, as amended.

With respect to cotton, the President's message points out that separate legislation has made the adjustable pricing provisions of the 1949 act ineffective for cotton. This results because the present law requires the Secretary to set marketing quotas and acreage allotments for cotton at such levels that the minimum price support level generally would not fall below 90 percent of parity. The President's recommendations with respect to cotton included changes in legislation which would relate the level of price support for cotton to the supply. This change is in addition to the establishment of a set-aside. We are now working on all the changes in cotton legislation needed to implement the President's recommendation, and until this work is completed, it is not possible to determine the extent to which a set-aside would affect the minimum level of price support.

Mr. GORDON. I do want to emphasize again the fact that we are asking for this increase in borrowing authority to take care of the 1954 crops, and there is not too much margin there just for that purpose. Let's not tie back to the President's proposed program too much in figuring on the needed borrowing authority.

Senator WILLIAMS. Is the effective date asked for on this bill what was in accordance with your recommendations?

Mr. GORDON. Sir?

Senator WILLIAMS. This bill, as introduced, was in accordance with your recommendation?

Mr. GORDON. Yes, sir; at that time. But it was brought out before you came in, Senator Williams, that this great acceleration in the rate of loans is giving us some concern now and we are wondering if it wouldn't be highly desirable to make this increase in borrowing authority effective with the passage of the act itself for the simple reason that then everybody would be protected.

As I pointed out in my statement that doesn't affect the spending of it at all. It simply gives us the money and the assurance to everyone concerned in carrying out the support program, the trade, banks, and everybody else, that adequate funds are available.

Senator WILLIAMS. As I understood it in your discussion with Senator Holland, the chances are that you would be back asking for an additional borrowing authority even in addition to this.

Mr. GORDON. It could be in 1955.

Senator WILLIAMS. As I understood you this morning, you said it could be before we left this session; is that correct?

Mr. GORDON. If this trend toward loans continues as it is now.

Senator WILLIAMS. Therefore, since you are going to have to revise it, does it make any difference if Congress modifies this down, to tide you over until we, too, get a chance to study your needs and determine them more accurately?

Mr. GORDON. Senator, it would seem to me that if you wanted to accomplish what is necessary here that you certainly wouldn't want to approve an increase of less than a billion and three-quarters dollars at this time.

Senator WILLIAMS. By your own estimate you won't need anything like that now.

Mr. GORDON. We will by February of 1955.

Senator WILLIAMS. Do you think this would carry you through February 1955?

Mr. GORDON. We hope it will.

Senator WILLIAMS. I understood you this morning to say that you perhaps would be back.

Mr. GORDON. I said there is the possibility that we might have to come back, that we hope to get through until this time next year before we have to request any additional increase in borrowing authority. On the basis of my testimony we would have a half-billion dollars to play with on that.

Senator WILLIAMS. This \$727 million that you are asking either to be appropriated or canceled will be that much extra money?

Mr. GORDON. No, sir.

Mr. BEACH. That has no influence. That is included in our estimate.

Senator WILLIAMS. That is included in this estimate?

Mr. GORDON. Yes, sir.

Mr. BEACH. We would ordinarily have gotten that by July 1 under usual circumstances.

Senator WILLIAMS. It will be money in addition to that which you have.

Mr. BEACH. No, sir. It is just money that we have now tied up, that is all. We now have money tied up for operations in the past. We are just being reimbursed for those operations. This reimbursement ordinarily would take place July 1 instead of in January.

Senator WILLIAMS. Cancellation of notes or appropriation of that won't give you any additional capital?

Mr. BEACH. No, sir.

Senator WILLIAMS. Suppose we don't do it?

Mr. GORDON. Then the whole program stops.

Senator WILLIAMS. That is the point. You would have that much less money to operate on. You may have it counted, but it does mean extra money. If it doesn't, we just won't take any action.

Mr. GORDON. It means extra money to tide us over until the increase comes in.

Senator WILLIAMS. It means \$720 million extra.

Mr. BEACH. Ordinarily we would receive that in July.

Senator WILLIAMS. That may be true.

Mr. BEACH. That was counted in as having been available after July 1.

Senator WILLIAMS. In other words, you need the \$13¼ billion plus the \$700 million, and you are asking for about \$21½ billion.

Mr. GORDON. Yes, sir.

Mr. BEACH. There is one point I would like to mention and that is that Mr. Gordon said that we hope this additional amount will last. Again, if we run into an acceleration of loans in the early part of the season as we did this year, which was new to us, we could be out of borrowing authority before Congress is back in session the next time.

Mr. GORDON. You have your peak that you come to every year. If that were thrown out of kilter, and we had it occur some other time in the year, you could have an extra hump there like we get in January, which would get us in trouble.

Normally we would anticipate a distribution of our requirements over the year to the extent we wouldn't get into that difficulty.

Senator WILLIAMS. The utilization of this borrowing authority that is extended to you, are you planning to go into the open market and handle your own as you have done in the last few months?

Mr. GORDON. Only as consultation with Treasury indicates it is desirable to do so.

Senator WILLIAMS. I don't question but what you work with the Secretary of the Treasury; in fact, from what I can understand, I am confident that you have. I think that both Mr. Benson and Mr. Humphrey will continue to work together. I have confidence in both of them on that.

But assuming that the day comes when either one of them or some future Secretary decides that he doesn't want to work with the other, do you have to, as you interpret the law?

Mr. GORDON. Yes, sir.

Mr. BEACH. We feel we are required to as a matter of policy. We have not issued a lending-agency agreement or even an arrangement for utilizing the services of banks without consulting the Treasury.

Senator WILLIAMS. I am not asking if you have done.

Mr. BEACH. On the basis that we do interpret it—

Senator WILLIAMS. You would be obligated and you recognize that you could not go out into the money market and place any certificates or any form of indebtedness of any kind without the consent of the Secretary of the Treasury?

Mr. GORDON. That would be my offhand interpretation. Plus the fact it is so much simpler for us to go to the Secretary of the Treasury and say we need so much.

Senator WILLIAMS. I understand that. I don't agree with it necessarily. I wish you would get an opinion from your solicitor that we could incorporate in the record to the effect that legally the Secretary or any future Secretary would be required to confer with the Secretary of the Treasury and obtain their approval. I think that unless that is in the law and so understood, it is a dangerous situation.

Conceivably, the Secretary of Agriculture, if it wasn't, and the Secretary of the Treasury, could each separately go in the money market.

Mr. GORDON. I think there has been built up over the years the opposite type program so that it isn't at all likely to occur. But we will check the legality of it.

Senator WILLIAMS. That is true. It is only in recent months that it has been used as it is now being used in a effort to bypass the ceiling on the debt, as an artificial increase.

Mr. GORDON. That is true as to the extent.

Senator WILLIAMS. It is done legally.

Mr. GORDON. I don't think it was used as a bypass. It was used as an attempt to keep within the debt limitation.

Senator WILLIAMS. That is the way I should have said it. You will get the opinion from the Solicitor?

Mr. GORDON. Yes, sir.

(The matter referred to is as follows:)

OPINION No. 5584

FEBRUARY 1, 1954.

OPINION FOR HOWARD H. GORDON, ADMINISTRATOR, COMMODITY STABILIZATION SERVICE

DEAR MR. GORDON: This opinion is submitted in response to your oral request for the views of this office on the question of the extent to which the financing operations of the Commodity Credit Corporation require the approval of the Secretary of the Treasury.

The power of the Commodity Credit Corporation to borrow money is derived from section 4 (i) of the Commodity Credit Corporation Charter Act (15 U. S. C. 714b), which reads as follows:

"[The Corporation] (i) May borrow money subject to any provision of law applicable to the Corporation: *Provided*, That the total of all money borrowed by the Corporation, other than trust deposits and advances received on sales, shall not at any time exceed in the aggregate \$6,750,000,000. The Corporation shall at all times reserve a sufficient amount of its authorized borrowing power which, together with other funds available to the Corporation, will enable it to purchase, in accordance with its contracts with lending agencies, notes, or other obligations evidencing loans made by such agencies under the Corporation's programs."

The provisions of law to which the authority to borrow money contained in the Charter Act is subject are found in section 4 of the act of March 8, 1938, as amended (15 U. S. C. 713a-4):

"Sec. 4. With the approval of the Secretary of the Treasury, the Commodity Credit Corporation is authorized to issue and have outstanding at any one time, bonds, notes, debentures, and other similar obligations in an aggregate amount not exceeding \$6,750,000,000. Such obligations shall be in such forms and denominations, shall have such maturities, shall bear such rates of interest, shall be subject to such terms and conditions, and shall be issued in such manner and sold at such prices as may be prescribed by the Commodity Credit Corporation, with the approval of the Secretary of the Treasury. Such obligations shall be fully and unconditionally guaranteed both as to interest and principal by the United States, and such guaranty shall be expressed on the face thereof, and such obligations shall be lawful investments and may be accepted as security for all fiduciary, trust, and public funds the investment or deposit of which shall be under the authority or control of the United States or any officer or officers thereof. In the event that the Commodity Credit Corporation shall be unable to pay upon demand, when due, the principal of, or interest on, such obligations, the Secretary of the Treasury shall pay to the holder the amount thereof which is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, and thereupon to the extent of the amount so paid the Secretary of the Treasury shall succeed to all the rights of the holders of such obligations. The Secretary of the Treasury, in his discretion, is authorized to purchase any obligations of the Commodity Credit Corporation issued hereunder, and for such purpose the Secretary of the Treasury is authorized to use as a

public-debt transaction the proceeds from the sale of any securities hereafter issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under such act, as amended, are extended to include any purchases of the Commodity Credit Corporation's obligations hereunder. The Secretary of the Treasury may at any time sell any of the obligations of the Commodity Credit Corporation acquired by him under this section. All redemptions, purchases, and sales by the Secretary of the Treasury of the obligations of the Commodity Credit Corporation shall be treated as public-debt transactions of the United States. No such obligations shall be issued in excess of the assets of the Commodity Credit Corporation, including the assets to be obtained from the proceeds of such obligations, but a failure to comply with this provision shall not invalidate the obligations or the guaranty of the same: *Provided*, That this sentence shall not limit the authority of the Corporation to issue obligations for the purpose of carrying out its annual budget programs submitted to and approved by the Congress pursuant to the Government Corporation Control Act (31 U. S. C., 1946 edition, sec. 841). The Commodity Credit Corporation shall have power to purchase such obligations in the open market at any time and at any price."

The statutes quoted above require the approval of the Secretary of the Treasury in order for the Commodity Credit Corporation to issue bonds, notes, debentures, and other similar obligations covering the borrowing of money by the Corporation. The Secretary of the Treasury is required to approve the form, denomination, maturity date, rate of interest, and the terms and conditions of instruments issued pursuant to this authority to borrow money.

In those cases in which there may be some question whether the transaction is one to which the act of March 8, 1938, as amended, may be applicable, the Corporation should consult, and has consistently followed the practice of consulting, the Treasury Department both on the question of the applicability of the statute and the merits of the transaction.

In the case of contracts with banks and other lending agencies under which the Corporation undertakes to purchase producers' notes evidencing price support loans made by the lending agency, when requested to do so by the lending agency, the transaction is not a borrowing of money by the Corporation and the act of March 8, 1938, as amended, is not applicable. The express approval of the Secretary of the Treasury is not required or obtained.

The certificates of interest which the Corporation issues against a pool of producer notes are in the same class, insofar as the applicability of the act of March 8, 1938, as amended, is concerned. Producers' notes, secured by warehouse receipts representing commodities pledged for price-support loans, are placed in pools against which the Corporation issues certificates of interest (1) to the original bank making the loan to the producer, or (2) to another lending agency willing to participate in the financing of the loans to producers. Commodity Credit Corporation is entitled to deposit notes which it holds in the pool and to have the same right with respect to such deposit as if it were a bank or other lending agency. If, on liquidation of the pool, the proceeds are insufficient to retire all outstanding certificates, Commodity Credit Corporation will pay the balance remaining due to the holder of the certificates from funds obtained by utilization of its borrowing authority. The holders of certificates are essentially in the same position as the lending agency holding the initial loan made to an individual producer, except that they have substituted an interest in a group of loans for the interest in an individual loan.

The Corporation has understood both the limitations on borrowing and the requirement for the approval by the Secretary of the Treasury as covering obligations similar to bonds, notes, and debentures—which are all essentially instruments issued to obtain a loan and wherein the maker promises to pay or repay a certain sum of money. The several amendments to this section have consistently referred to the action taken as being an increase in the Corporation's "borrowing power," showing a congressional recognition that the statute referred to borrowings by the Corporation, rather than the borrowings by the producers which the Corporation undertook to purchase. Accordingly, the Commodity Credit Corporation has consistently obtained formal approval by the Secretary of the Treasury of the issuance, the form, and the terms and conditions, of all instruments representing borrowings by the Corporation. It has not obtained the formal approval of instruments representing a contractual obligation to purchase notes issued by producers or to purchase commodities. This interpretation of the act of March 8, 1938, was discussed in an exchange of correspondence between the Acting Secretary of the Treasury and the Administrator of the War Food Administration, dated November 14, 1944, and December 2, 1944.

While Commodity Credit Corporation is not the borrower and the act of March 8, 1938, as amended, does not apply to such transactions, Commodity Credit Corporation does have a contractual contingent liability to pay the holders of the certificates of interest in the event that the makers of the notes do not repay them. In order to assure itself of ability to fulfill this contractual requirement, Commodity Credit Corporation reserves, unused, sufficient of its authorized borrowing power to permit it to borrow the funds and pay the holders of the certificates if the occasion arises.

While the act of March 8, 1938, as amended, is not applicable to the issuance of certificates of interest, the Commodity Credit Corporation has, we understand, consulted the Treasury Department on all aspects of the certificates of interest program, and the offering of these instruments to commercial banks in October of 1953 was worked out in collaboration with the Treasury Department. The procedure, the rate of interest, and the extent of the offering, were approved by the Treasury Department.

Sincerely yours,

KARL D. LOOS, *Solicitor*.

Senator WILLIAMS. Senator Holland?

Senator HOLLAND. I don't believe you got the objective that I had in mind in calling attention to the last sentence in the prepared statement by Mr. Gordon, and it is this, and I want the record to show it very clearly: This boosting of the Commodity Credit Corporation to an \$8½ billion figure is, in the opinion of the Secretary of Agriculture, purely a temporary matter and he makes that completely clear in this last sentence by warning us that two things must happen to keep us from jumping this figure up again next year, in his opinion.

In his opinion it will be likely, as he puts it, likely necessary to request a further increase about a year from now—that is, \$8½ billion is just a stopgap, he warns us, unless these 2 things are done, and the first is the passage of the new farm program getting away from the rigid support-price features in which \$2½ billion of commodities shall be set aside as reserves.

You remember that the Secretary made it very clear in his testimony that the \$2½ billion of reserves were simply part of his new program, and under cross-examination from Senator Anderson he made it very clear that he would have no part in setting up the reserve unless there was a change in the basic nature of the program, because otherwise we would just get rid of one surplus in order to create another surplus a little later.

Mr. GORDON. He was recommending a one-shot deal rather than a continuing one.

Mr. HOLLAND. That is right. The second thing he said would have to happen would be that the reserve should be financed under separate provision, that is, taken off of the Commodity Credit Corporation load. So that I think the record should be completely clear, and I think he made it clear, that in his judgment, necessary as it is to raise the limit to \$8½ billion now, that is just a shot in the arm unless we get away from this rigid high support-price program and go along with the other features of his new program which he has mentioned heretofore, one of which is the \$2½ billion reserve and the separate financing of it.

I believe the witness now has said that he understood very thoroughly that that was intended and I want to be sure that the record shows that the committee understood that this \$8½ billion figure, huge as it is, is just a forerunner of what we may look forward to in the very near future as a necessary further increase unless we retrench in the nature of the program that we carry out.

Senator WILLIAMS. Along that line, as I understand it, regardless of what action we take in the adoption of the President's proposal or rejection, you will need \$2½ billion extra if we don't set this recommended \$2½ billion off into another agency and provide for the money there to reimburse the Commodity Credit Corporation. You may come in then to ask for that \$2½ billion.

Mr. GORDON. It would be the same as increasing our borrowing authority.

Senator WILLIAMS. Could we reduce your borrowing authority by the corresponding \$2½ billion?

Mr. GORDON. That depends on how the program is set up and how it is proceeding at that time.

Senator WILLIAMS. To what extent do you think we could? Then we will know to what extent you are figuring that in.

Mr. GORDON. You see, this request is for one and three quarters billion dollars. That would only be three-quarters of a billion dollars between the two. We are already saying that there may be such an acceleration in loans as to take up the \$1½ billion. I don't think we can count on any reduction. The thing that we would avoid is an increase above the \$1½ billion.

Senator WILLIAMS. You don't think we could count on any reduction by setting this aside?

Mr. GORDON. I don't think so.

Senator WILLIAMS. By the same token if we don't set it aside can we assume that you will be back asking for an extra \$2½ billion?

Mr. GORDON. Yes, sir; or some figure approaching that.

Senator HOLLAND. Something approaching that. That is just what I want the record to show.

Senator WILLIAMS. I think that is very important.

Mr. GORDON. That is correct.

Senator HOLLAND. Mr. Chairman, I think there has been too little understanding of the real plan and program of the Secretary in this regard; that he wants us to understand that he thinks he can get along with this increase of one and three-quarters billion dollars if the essential nature of the program is changed in the ways that he suggested, but otherwise he is making it completely clear that he thinks another heavy increase is going to be required about a year from now.

So that those who decide, if there be some, that we shall go along in this completely extravagant fashion, just building a bigger and bigger surplus, would at least have the warning of the Secretary of Agriculture as to what he thinks will result from it.

Senator WILLIAMS. I know it is getting late, but has there been any consideration or discussion down there about the advisability of putting flexible supports in effect for the 1954 crop year?

Mr. GORDON. Only on rice.

Senator WILLIAMS. Was there much of a discussion on commodities, in other words, to advance the effective date of the expiration of 90 percent from the end of 1954 up to the end of 1953?

Mr. GORDON. You can't under the extension that was made.

Senator WILLIAMS. You could if we repeal the law.

Mr. GORDON. You could repeal the law.

Senator WILLIAMS. Has there been any thought given to that?

Mr. GORDON. No; I assumed that that would be impossible to do and there has been no discussion as far as I know.

Senator WILLIAMS. I directed a letter to the Department about 6 months ago, and introduced a bill to that effect and asked for your opinions. I wonder what you think about that. We were being confronted with what the Secretary describes now as a fiasco in the whole program. I wonder what prompted the decision to carry it another 12 months rather than try to advance the effective date?

Mr. GORDON. I think the assumption is that it would be impossible to get anywhere with such a proposal.

(Discussion off the record.)

Senator WILLIAMS. He went on record against the effort; is that correct?

Mr. GORDON. No.

Mr. RICHARDS. I think the President has said that he would carry out the provisions of the present act.

Mr. GORDON. In his campaign speeches.

Senator WILLIAMS. I am asking from the standpoint of the Department.

Mr. GORDON. Let's put it this way: We have discussed on 1 or 2 occasions with the President what he considered to be his commitments in his campaign speeches and in the case of feed grains and soybeans, he felt that he had a definite commitment. Under those circumstances the Secretary naturally would not undertake to push for legislation which would be a contradiction to those campaign pledges.

Senator WILLIAMS. That is the answer to my question, that he would not support it as of this time.

We will adjourn the meeting subject to the call of the Chair.

(Whereupon, at 3:28 p. m., the committee adjourned, subject to the call of the Chair.)

(Additional statements filed with the committee are as follows:)

AMERICAN FARM BUREAU FEDERATION,
Washington 1, D. C., January 25, 1954.

HON. GEORGE D. AIKEN,
*Chairman, Committee on Agriculture and Forestry,
United States Senate, Washington, D. C.*

DEAR SENATOR AIKEN: The American Farm Bureau Federation supports S. 2714, a bill to increase the borrowing power of Commodity Credit Corporation from \$6,750 million to \$8,500 million.

It would be appreciated if this letter could be made a part of the record of hearings concerning this bill.

Sincerely yours,

FRANK K. WOOLLEY,
Legislative Counsel.

NATIONAL FARMERS UNION,
Washington 5, D. C., January 25, 1954.

Senator GEORGE D. AIKEN,
Chairman, Senate Committee on Agriculture and Forestry.

DEAR SENATOR AIKEN: Expansion of the borrowing authority of Commodity Credit Corporation is obviously necessary and in the public interest. I urge your committee to approve the proposal to expand the borrowing authority from \$6.75 billion to \$8.5 billion. National Farmers Union will support the passage of such legislation by the Senate.

I request that you place this letter in the record of your hearings on this bill since I shall be unable to attend the hearings of your committee.

Sincerely,

JAMES G. PATTON,
President, National Farmers Union.

INCREASE BORROWING POWER OF COMMODITY CREDIT CORPORATION

HEARINGS

BEFORE THE

COMMITTEE ON BANKING AND CURRENCY HOUSE OF REPRESENTATIVES

EIGHTY-THIRD CONGRESS

SECOND SESSION

ON

H. R. 7339

A BILL TO INCREASE THE BORROWING POWER OF
COMMODITY CREDIT CORPORATION

FEBRUARY 25 AND 26, 1954

Printed for the use of the Committee on Banking and Currency



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1954

Library, Legal Branch
Legislative History Unit
Room 105-A

COMMITTEE ON BANKING AND CURRENCY

JESSE P. WOLCOTT, Michigan, *Chairman*

RALPH A. GAMBLE, New York
HENRY O. TALLE, Iowa
CLARENCE E. KILBURN, New York
GORDON L. McDONOUGH, California
WILLIAM B. WIDNALL, New Jersey
JACKSON E. BETTS, Ohio
WESLEY A. D'EWART, Montana
MYRON V. GEORGE, Kansas
WALTER M. MUMMA, Pennsylvania
WILLIAM E. McVEY, Illinois
D. BAILEY MERRILL, Indiana
CHARLES G. OAKMAN, Michigan
EDGAR W. HIESTAND, California
DOUGLAS R. STRINGFELLOW, Utah
WILLIAM K. VAN PELT, Wisconsin

BRENT SPENCE, Kentucky
PAUL BROWN, Georgia
WRIGHT PATMAN, Texas
ALBERT RAINS, Alabama
ABRAHAM J. MULTER, New York
CHARLES B. DEANE, North Carolina
GEORGE D. O'BRIEN, Michigan
HUGH J. ADDONIZIO, New Jersey
ISIDORE DOLLINGER, New York
RICHARD BOLLING, Missouri
WILLIAM A. BARRETT, Pennsylvania
WAYNE L. HAYS, Ohio
BARRATT O'HARA, Illinois
EUGENE J. MCCARTHY, Minnesota

WILLIAM J. HALLAHAN, *Clerk*
ORMAN S. FINK, *Professional Staff*
JOHN E. BARRIERE, *Professional Staff*

CONTENTS

	Page
H. R. 7339. A bill to increase the borrowing power of Commodity Credit Corporation-----	1
Statement of—	
Baker, John A., assistant to president, National Farmers Union-----	114
Beach, Robert, budget officer, Commodity Credit Corporation-----	37
Benson, Hon. Ezra Taft, Secretary of Agriculture-----	2, 37
Cooper, George S., Chief, Commodity Credit Division, Office of the Solicitor-----	37
James, Delos L., director, agricultural-industry relations, the National Grange-----	108
McConnell, J. A., vice president, Commodity Credit Corporation-----	37
Morse, Hon. True D., Under Secretary of Agriculture-----	37
Richards, Preston, Deputy Administrator, Price Support, Commodity Stabilization Service-----	37
Rizley, Hon. Ross, Assistant Secretary of Agriculture-----	37
Wheeler, Joseph C., Director of Finance, Department of Agriculture--	37
Woolley, Frank K., legislative counsel, American Farm Bureau Federation-----	114
Additional data submitted to the committee by:	
Benson, Hon. Ezra Taft, Secretary of Agriculture, letter of January 14, 1954, to Hon. Joseph W. Martin, Speaker, House of Representatives (enclosures)-----	110
Coke, Hon. J. Earl, Acting Secretary, Department of Agriculture, letter of February 24, 1954, to Hon. Jesse P. Wolcott-----	113
Deane, Hon. Charles B.: Prices received and paid by farmers, table and chart from Economics Indicators, February 1954-----	70, 71
Department of Agriculture:	
Chart A.—CCC investments in farm commodities-----	9
Chart B.—Carryover of major farm commodities-----	9
Chart C.—Farmers' prices—Comparison of prices for price-supported basic commodities with those of nonsupported group-----	10
Commodity Credit Corporation certificates of interest—Quotation from statement by Assistant Secretary of the Treasury W. Randolph Burgess-----	15
Comparison of largest loans made by CCC on 1953 crop corn, cotton, and wheat with estimated average loan, by States-----	86
Diversion of surplus grain into industrial uses-----	90
Realized cost of agricultural and related programs, by function or purpose, fiscal years 1932-53 (tabulation)-----	41-44
Relationship of realized costs to statements of accrued income and expenses for noncorporate lending programs-----	45
Lending operations of REA from inception to June 30, 1953--	45
Appendix to table of realized cost of agricultural and related programs, by function or purpose, fiscal years 1932-53—Summary of realized cost of agricultural programs primarily for stabilization of prices and farm income, showing distribution of cost by commodity groups-----	46-50
Solicitor's Opinion No. 5584, United States Department of Agriculture, February 1, 1954-----	106
Writeoffs on price support loans by fiscal years, July 1, 1949, to date-----	55

	Page
Additional data submitted to the committee by:—Continued.	
Morse, Hon. True D., President, Commodity Credit Corporation, letter of March 3, 1954, to Hon. Jesse P. Wolcott.....	56
Warehouse shortage cases—Number of active cases and estimated CCC book value of shortages (reported as uncollected through January 1, 1954).....	59
Grain warehouse shortage cases, total collections reported by CSS commodity offices (as of specified dates) (chart).....	60
Grain warehouse shortage cases, uncollected value of shortages, classified by case status (as of specified dates) (chart).....	61
Grain warehouse shortage cases, number of cases, classified by case status (as of specified dates) (chart).....	62
Claims against third-party purchasers of Commodity Credit Corporation grain—Summary statement of Department of Agriculture.....	63
O'Hara, Hon. Barratt, statement.....	98
Comments by Department of Agriculture on statement read by Mr. O'Hara.....	99, 100
Patman, Hon. Wright:	
Certificates of interest in CCC loans.....	29
Questions submitted to Secretary Benson (followed by data in answer to questions).....	86
Table I.—Borrowings or guaranteed obligations to purchase outstanding at end of fiscal year.....	87
Table II.—Borrowings or guaranteed obligations to purchase incurred during the fiscal year.....	87
Interest rates paid to private lending agencies on loan obliga- tions purchased by CCC, July 1, 1950, to December 31, 1953.....	88
Interest rates paid to Treasury—July 1, 1950, to December 31, 1953.....	88
Composition of outstanding obligations with Treasury at December 31, 1953.....	88
Interest rates paid on demand borrowings from private banks—July 1, 1950, to December 31, 1953.....	88
Interest rates paid on certificates of interest July 1, 1950, to December 31, 1953.....	88

INCREASE BORROWING POWER OF COMMODITY CREDIT CORPORATION

WEDNESDAY, FEBRUARY 25, 1954

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met at 10 a. m., the Hon. Jesse P. Wolcott, chairman, presiding.

Present: Chairman Wolcott (presiding), Messrs. Talle, Kilburn, McDonough, Widnall, Betts, Mumma, McVey, Merrill, Oakman, Stringfellow, Van Pelt, Spence, Brown, Patman, Rains, Multer, Deane, O'Brien, Dollinger, Bolling, Hays, O'Hara, and McCarthy.

The CHAIRMAN. The committee will be in order.

We wish to welcome to the committee this morning a new member, Congressman McCarthy from Minnesota. We are very happy to have you with us, and I am sure you will enjoy your membership on this committee as we all have throughout the years. We are sure that your career here with us will be as pleasant and as long as possible. I am sure you will enjoy it.

Mr. McCARTHY. Thank you, sir.

The CHAIRMAN. We are meeting this morning to consider H. R. 7339, a bill to increase the authorization of the Commodity Credit Corporation from \$6,750 million to \$8,500 million.

(The bill referred to above is as follows:)

[H. R. 7339, 83d Cong., 2d sess.]

A BILL To increase the borrowing power of Commodity Credit Corporation

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 4 of the Act approved March 8, 1938 (52 Stat. 108), as amended, is amended by striking out "\$6,750,000,000" and inserting in lieu thereof "\$8,500,000,000".

SEC. 2. Section 4 (i) of the Commodity Credit Corporation Charter Act (62 Stat. 1070), as amended, is amended by striking out "\$6,750,000,000" and inserting in lieu thereof "\$8,500,000,000".

SEC. 3. This Act shall be effective July 1, 1954.

Mr. WOLCOTT. We have with us this morning the Secretary of Agriculture, Mr. Ezra Taft Benson, and his staff.

Mr. Secretary, we are happy to have you with us, and, without objection, you may proceed with your statement without interruptions, and any questions with respect to the problem before us will be addressed to you after you are through. You may proceed.

Secretary BENSON. Thank you, Mr. Chairman.

STATEMENT OF HON. EZRA TAFT BENSON, SECRETARY OF AGRICULTURE

Secretary BENSON. Mr. Chairman and members of the committee, I appreciate very much this opportunity. I regret very much if I have inconvenienced the chairman and the members of the committee by not being able to make it here yesterday morning. We were delayed because of mechanical difficulties with our plane, in New Orleans, and got in here yesterday afternoon, and then I came down from New York by train, when they warned us the weather may not be good. But I am glad to be here this morning.

The CHAIRMAN. You may be sure we have not been inconvenienced.

Secretary BENSON. Thank you very much.

I have several members of my staff here this morning.

I would like particularly, if I may, Mr. Chairman and members of the committee, to introduce the new Administrator of the Commodity-Stabilization Service, who is the executive vice president of the Commodity Credit Corporation, Mr. J. A. McConnell, if he will stand.

You are acquainted, I think, with most of the other staff here, Mr. Morse, the Under Secretary, on my right, and Mr. Beach on his right, who is the budget officer of CCC. Mr. Ross Rizley is Assistant Secretary, and there are other members of the staff here. I would like to feel free to ask them to help out on any questions, Mr. Chairman, as we go along, if it is agreeable.

The CHAIRMAN. That may be done.

Secretary BENSON. The Department of Agriculture is requesting an increase in the statutory limitation on the borrowings by the Commodity Credit Corporation, including the obligations to take over on demand loans held by lending agencies, in order to assure its ability to carry out mandatory commitments for price-support of 1954 crops in accordance with existing law. The increase requested is \$1¼ billion, bringing the total borrowing authority to \$8½ billion.

Briefly, the reason additional borrowing authority for the Commodity Credit Corporation is needed is that we have a larger supply of corn, cotton, wheat, dairy products, and a few other commodities than can be absorbed at support prices by domestic and export markets. With domestic use of most commodities relatively stabilized, the two factors exerting the most influence on the magnitude of price-support operations are production and exports. Production was increased greatly to meet the postwar export demand and remains high. With the tapering off of foreign-aid programs and the rehabilitation of agriculture in foreign countries, exports have been greatly diminished. As a result prices to farmers have been below support levels, huge quantities of commodities have been placed under CCC loan or offered for sale to the Corporation, and sales of CCC inventories built up from past price-support operations have declined. This has increased the obligation of the financial resources of the Corporation to the point where there remains insufficient unused borrowing authority to carry out present price-support commitments.

An additional factor is that since the borrowing authority of the Corporation was set at \$6,750 million in June 1950, the general increase in parity prices and, consequently, in support prices, has resulted in the use of more dollars for a given quantity of commodities than was required in 1950. For example, the support price on 1950

crop cotton was \$139.50 per bale, as compared with an estimated \$160 for 1954 crop cotton. Similarly, the increase in the support price on corn has been from \$1.47 to \$1.58 per bushel, and on wheat from \$1.99 to \$2.20 per bushel. For all commodities on which price-support commitments have been made for 1954 crops it is estimated that it will take over \$200 million more to make the loans and purchases in the fiscal year 1955 at 1954 crop-support prices than would have been required at 1950 crop-support prices. In addition to the increased capital required to make loans or purchases the amount required to carry inventories has increased.

There are several characteristics of the operations of the Commodity Credit Corporation which are of crucial importance in considering the extent of its authority to borrow.

First, is the fact that the major part of the borrowing authority used is in connection with corn, cotton, wheat, and dairy products. The first 3 commodities are basic commodities for which price support is mandatory under existing law at 90 percent of parity through the 1954 crops. Dairy products are classed as designated nonbasics on which support is required by law at not less than 75 nor more than 90 percent of parity. As of December 31, 1953, the financial statements of the Corporation indicated a total investment of \$5.7 billion in price-support loans and inventories, of which \$4.7 billion was in these 4 commodities, wheat, \$2.1 billion; cotton, \$1.2 billion; corn, \$1 billion, and dairy products, \$378 million. We estimate on the basis of more recent operating reports that the total investment in loans and inventories had increased to over \$6 billion by early in February.

Second, is the fact that on these major commodities, except for some discretionary power with respect to the support level on dairy products, which has been exercised, the Corporation must stand ready on an open-offer basis to make loans or purchases at a fixed level of support prices on any quantity of the commodities which may be produced during the crop year. Once a crop is produced the Corporation has no control over the quantity of any of these commodities which may be offered to it for price support. The proportion of the total crop of any commodity in a particular year which is placed under price support is governed by many varied and unpredictable factors, such as the size of crops, export trends, general business conditions, and other.

These two characteristics of the Corporation's operations in turn make it extremely important that there be sufficient borrowing authority to eliminate any possible question of the ability of the Corporation to make good on the commitments required by existing law. Adequacy of financial resources readily available to the Corporation is one of the major elements in its power to conduct effectively and at minimum cost the price support programs authorized by Congress. Ability to support as much of the crop as necessary at the proper and critical time is essential if markets are to remain stable.

Farmers, bankers, and the various trade groups with which the Corporation deals must be unequivocally assured that the CCC is able to meet any financial obligations imposed upon it by program commitments. The announcement of availability of price support on a commodity, together with general knowledge of and confidence in the ability of the Corporation to back up the announcement with loans or purchases as required has at times in the past averted the need

for price support. On the other hand, doubt as to the ability of the Corporation to meet its obligations would cause an increased demand for price support.

There would be a strong downward pressure on prices if such doubt existed. Farmers would rush to place commodities under price support in the belief that first come would be first served. Banks would be hesitant or unwilling to lend money to farmers under lending agency agreements in which the CCC agrees to purchase on demand the notes evidencing such loans. Prospective purchasers of commodities held by the CCC would be hesitant to buy, in the hopes of obtaining the same commodities at a lower price at a later date. Farmers would be unable to redeem collateral pledged for price-support loans. Carriers, warehousemen, handlers, processors, and other trade groups would not have the confidence in the Corporation necessary for satisfactory business relationships. Any downward pressure on prices, of course, would be reflected in lower valuations of the inventory of commodities held by the Corporation and, consequently, in increased program costs.

To avoid such a development it is not only necessary that the borrowing authority of the Corporation be of sufficient size to assure ability to meet all obligations, but it should be large enough to provide a margin of flexibility for unforeseen circumstances. It is not possible to forecast with any assurance of accuracy what the demands on the Corporation's financial resources will be in the future. To be able to do so it would be necessary to have the ability to forecast accurately in advance the production and market price of specific commodities and, in addition, all of the effects of price changes on CCC operations. This inability to accurately forecast future operations applies not only to the total volume of each of the different types of transactions affecting the use of borrowing authority, particularly loans, purchases, repayments and sales—but it also applies to the timing of these transactions.

Seasonal variations in the prices of individual commodities, resulting from a variety of causes, have a definite effect on the peak amount of funds invested in price-support operations at any one time during a crop year. In addition, such factors as a new crop report or a change in weather affecting the outlook for production of a major crop can have an immediate effect on the volume of price-support loans requested by farmers. This, in turn, immediately affects the amount it is necessary for the Corporation to borrow from the Treasury or obligate itself to pay banks for notes accepted by them under lending agency agreements. Similarly, the timing of sales of inventories and of repayments on loans, which is subject to many unpredictable factors, will directly affect the amount of borrowing authority in use. Circumstances affecting the total volume, the timing of obligations and receipts, and the relationship between obligations and receipts, change so rapidly that it is necessary that there be a margin of borrowing authority to cover temporary bulges in net obligations as well as unforeseen developments affecting the total volume of price-support extended.

There have been many examples in the recent history of the Commodity Credit Corporation of rapid and large changes in the demands placed on its borrowing authority. Statutory obligations against the borrowing authority increased by over \$1.5 billion in each of the

calendar years 1948 and 1949, decreased by approximately \$1.8 billion between March 1950, and September 1951, and increased \$4.4 billion from July 1952, to December 1953. There was an increase of \$2.5 billion during the 5 months ended December 31, 1953.

Another important point for consideration is that the request for an increase in borrowing authority does not constitute an appropriation of funds. The actual costs are not known until the liquidation of loans and inventories which represent the major assets financed under the borrowing authorization. Overall control over the actual volume of loans to be made and inventories to be acquired and thus over program costs, is exercised by the Congress in two ways other than through the limitation on borrowing authority. These are (1) The approval of price-support legislation prescribing the conditions under which the prices of individual commodities shall be supported, and the levels of such price supports, and (2) the approval of the budgetary programs set forth in the annual budgets submitted in accordance with the Government Corporation Control Act of 1945. These budgetary programs are, of course, within the framework of basic price-support legislation. One of the major considerations in the development of the new farm program submitted to the Congress by the President on January 11, 1954, was ultimate reduction in costs to the taxpayer.

It is becoming more apparent every day that the cost of operating our price-support programs during the next 2 or 3 years is likely to continue high even though we were to go to the flexible price supports. For example, the net realized loss on price-support operations of the CCC amounted to \$116.1 million during the first half of the current fiscal year, or 90 percent greater than the net loss of \$61.1 million in the entire fiscal year 1953. In addition, the financial statements of the Corporation as of December 31, 1953, recognized anticipated losses of \$693.2 million on the investment in inventories and loans on 1952 and prior-year crops. Reserves for probable losses have not yet been established on the commodities under 1953-crop loans.

These increases in costs could be held within reasonable bounds under the flexible system. They could be enormous if we continue to pile up surpluses under an extended program of supports at 90 percent of parity.

The current situation calls for a new evaluation of the farm problem. We recognize the need for Federal aid to agriculture on a very broad scale when it becomes necessary. But the cost of the program is reaching such proportions that we must insist upon value received for these expenditures—upon getting the dollars into the pockets of farmers who need them.

As of December 31, 1953, the actual amount of borrowing authority in use was as follows:

	<i>Million</i>
Borrowings from U. S. Treasury.....	\$3, 948
Loans held by lending agencies:	
Individual notes.....	1, 039
Certificates of interest.....	1, 219
Total.....	2, 258
Grand total.....	6, 206

I would like to interpolate at this point, if I may, as a part of the statement the following:

The C. C. Charter Act requires that the borrowing authorization, presently \$6,750 million, cover at all times both the actual borrowings and the total amount of notes or other obligations evidencing loans made by lending agencies under the Corporation's programs.

The Corporation meets its day-to-day cash requirements by borrowing from the United States Treasury. If disbursements reported daily by the Federal Reserve banks exceed receipts, a borrowing is made the following day. Similarly, if receipts exceed disbursements a repayment is made to the Treasury. No working cash balance is maintained. Obligations evidencing loans made by lending agencies are of two kinds: First, the individual notes mentioned above, held by local banks, which made price-support loans to farmers under an agreement with the CCC under which the Corporation agrees to purchase, on demand, notes evidencing such loans, at face amount, plus interest. And, secondly, certificates of interest, which represent documents issued to banks by the Commodity Credit Corporation to evidence ownership by the banks of the pro rata interest in a pool of loans made to producers under the price-support program.

With respect to certificates of interest, the position of both the CCC and the banks is the same as exists with respect to individual farmers' notes held by lending agencies. The bank may sell the notes or the certificates to the CCC at any time it wishes and the CCC is obligated to purchase them on demand. The CCC has issued certificates of interest in connection with cotton price-support loans each year beginning with 1941, except 1952 crop loans. This was a method of permitting banks to participate in the financing of cotton loans, and at the same time facilitating the obtaining and releasing of loan documents when producers wished to redeem their loans.

Briefly, it works as follows:

1. The producer obtains a loan on cotton through a local bank.
2. The bank forwards the notes and warehouse receipts to the New Orleans office of the Commodity Stabilization Service, for inspection, audit, and accounting.
3. The loan documents are later sent to the Federal Reserve bank serving the district in which the cotton is originally stored.
4. The certificate of interest of value equal to the loan is issued to the local bank, bearing interest at the going rate of return to banks operating under CCC lending agencies agreements. The current rate is $2\frac{1}{2}$ percent.

Each producer receives an equity transfer form by which he may sell his equity in loan cotton at any time without loan documents.

In 1953, for the first time the CCC issued similar certificates of interest in loans on grains. I will not take the time to go into the details of those, but I have them here, as to just how they operate, if you would like them made a part of the record.

Now, if I may go back to the statement, I will continue.

The CHAIRMAN. With that explanation, the statement which the Secretary interpolated and remarks which he has just read, to go with the balance which he has not read, will be inserted in the record.

Secretary BENSON. Thank you.

(The document referred to is as follows:)

In 1953, for the first time, the CCC issued similar certificates of interest in loans on grains. This was done in line with a request by the Treasury Department that an attempt be made to obtain a greater investment of funds in CCC programs by private banks in order to reduce CCC use of Treasury funds to a minimum. While CCC obligations to purchase loans or certificates held by banks are charged against CCC borrowing authority in accordance with the Charter Act, they do not become a charge against the national debt limit until the Treasury is required to lend funds to the CCC. The CCC obligations are against its own credit, rather than against the Treasury.

The interest rates on the certificates issued (on grain loans and other loans held by the CCC) were determined by the Treasury Department. The decision on the first issue (late August and early September) was that a rate of 2½ percent would be required to induce banks to invest in the certificates. This was the same rate as CCC paid on its borrowings from the Treasury at the time. Similarly, on each subsequent issue, the rate of interest was determined by the Treasury.

The mechanics of the issuance of certificates on grain loans and loans other than those on 1953-crop cotton is slightly different than on 1953-crop cotton loans currently being made by banks. The FRB of Chicago acts as fiscal agent of the CCC and issues all certificates on an offer and acceptance basis within total amounts determined by CCC. This plan permits city banks to participate in financing CCC loans and at the same time permits loan papers and warehouse receipts to remain in local banks easily accessible to producers who wish to repay their loans. Country banks who hold and service grain loans are paid a service fee of one-half of 1 percent per annum in addition to the 2½ percent interest they earn on the funds so invested. The Treasury offsets this additional cost by adjusting the interest on a portion of the CCC borrowings from the Treasury. This allows country banks the same interest return on individual notes as the city banks on certificates.

Secretary BENSON. In accordance with a request initiated by the Department on December 17, 1953, emergency action was taken by the Congress to authorize early cancellation of approximately \$682 million of CCC notes held by the United States Treasury. This cancellation of notes, which was made effective February 12, 1954, was to reimburse the Corporation for its capital impairment as of June 30, 1953, and for costs incurred in the fiscal year 1953 for the International Wheat Agreement and the eradication of foot-and-mouth disease. Ordinarily, these items would have been included in the regular appropriation act for the Department and the indebtedness to the Treasury would have been reduced in July. Considering the note cancellation accomplished on February 12, 1954, and based on estimates of obligations against the Corporation's borrowing authority subsequent to December 31, 1953, it appears that approximately \$500 million of borrowing authority remained after the note cancellation.

It is our usual practice to base our estimates on the assumptions that yields will be in line with recent averages and that acreage allotments and marketing quotas will be in effect in accordance with existing legislation. However, actual yields per acre have been increasing steadily. Also, with acreage controls in effect for cotton, corn, and wheat it may be assumed that producers will use more fertilizer and insecticides and select their best lands for production of those crops upon which acreage allotments have been placed, thereby obtaining still higher yields. Legislation has been enacted which increased the cotton acreage allotment from 17.9 million acres to over 21 million acres, as well as some increase in wheat acreage, and production will increase accordingly. With the increase in cotton acreage, and assuming that yields of cotton, corn, and wheat will be in line with higher than average yields in recent years, and that most of the

increased supplies will go under price support, approximately \$1 billion more borrowing authority will be required than probably would be needed if yields were average and if cotton acreage had not been increased. For example, if the yield of corn should increase only 3 bushels per acre the additional production would amount to 234 million bushels. This, in turn, if placed under price support would require the use of \$374 million of additional borrowing authority.

A further factor influencing the volume of price-support operations will be crops devoted to acreage diverted from cotton, corn, and wheat to other crops eligible for price support. This has been taken into consideration to some extent in our estimates but it is impossible to forecast the future developments in this respect with any degree of accuracy. The administration is already committed to price support on feed grains, soybeans, flaxseed, and other crops for which diverted acres might be used. Although the level of support is in some instances lower than in the recent past, nevertheless increased yields and weak prices could add hundreds of millions of dollars to the borrowing authority required. Further, any general price declines and business difficulties would be reflected in a generally increased volume of price-support operations for all commodities.

If the assumptions which I have just discussed, with respect to yields and acreage of allotment crops and additional price support required on crops planted to diverted acres, should materialize, and if business conditions should be slightly less favorable than those assumed in the budget estimates, it is estimated that the Corporation will require a borrowing authorization of \$8.5 billion to carry its investment in 1953 and prior-year crops and support the price of 1954 crops. If we were to assume full planting of acreage allotments, acreages of nonallotted crops as high as records in recent years, yields as high as recent records for each crop, and a smaller movement into domestic or export channels of stocks in CCC inventories or under CCC loan, then the requirements for 1954 crop operations would be considerably in excess of current estimates.

I should like to emphasize that this estimate is to cover 1954 crop operations under the assumptions I have indicated and not intended to cover the 1955 crop operations.

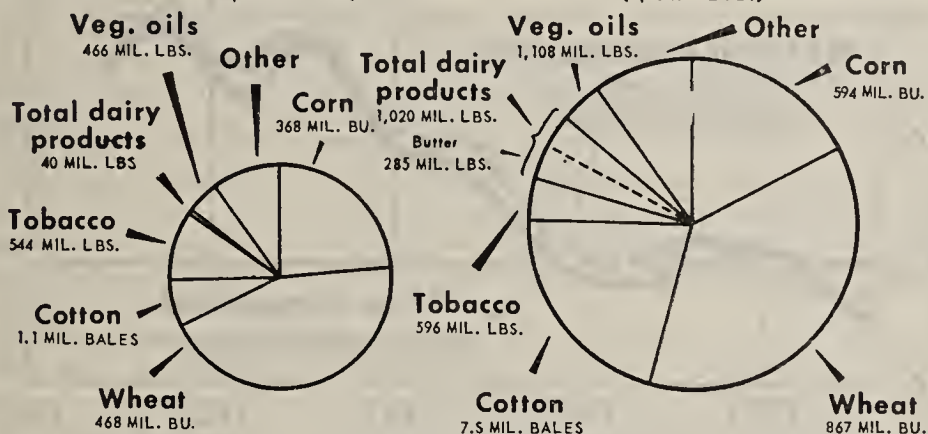
There are attached three charts which present graphically some of the important facts concerning the increasing burden of the present price-support program. Chart A shows the tremendous increase in CCC investments in commodities under the price-support program during the calendar year 1953—an increase from \$2.5 billion to \$5.7 billion. Chart B shows how the carryovers of major commodities are increasing and the huge carryovers anticipated at the end of the current crop year. Chart C reveals the similarity of prices for supported and nonsupported farm products over the period since the early thirties. This chart clearly indicates that general economic conditions are of overriding importance to agriculture.

(The charts referred to are as follows:)

CCC INVESTMENTS IN FARM COMMODITIES

DEC. 31, 1952
(\$2.5 BIL.)

DEC. 31, 1953
(\$5.7 BIL.)



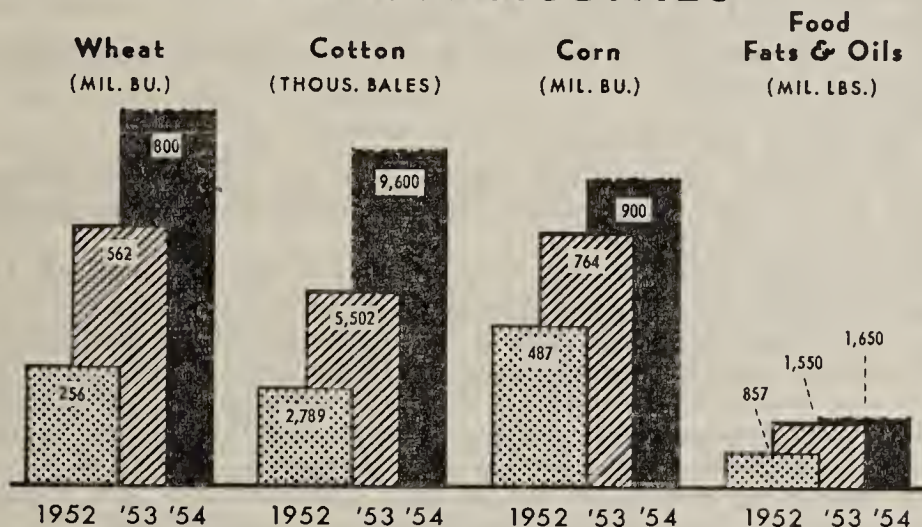
SIZE OF SEGMENTS PROPORTIONAL TO VALUE
TOTAL INVESTMENTS IN FEB. 1950 WERE \$4.0 BIL.

U.S. DEPARTMENT OF AGRICULTURE

NEG. 81-54 (2) AGRICULTURAL MARKETING SERVICE

CARRY-OVER OF MAJOR FARM COMMODITIES

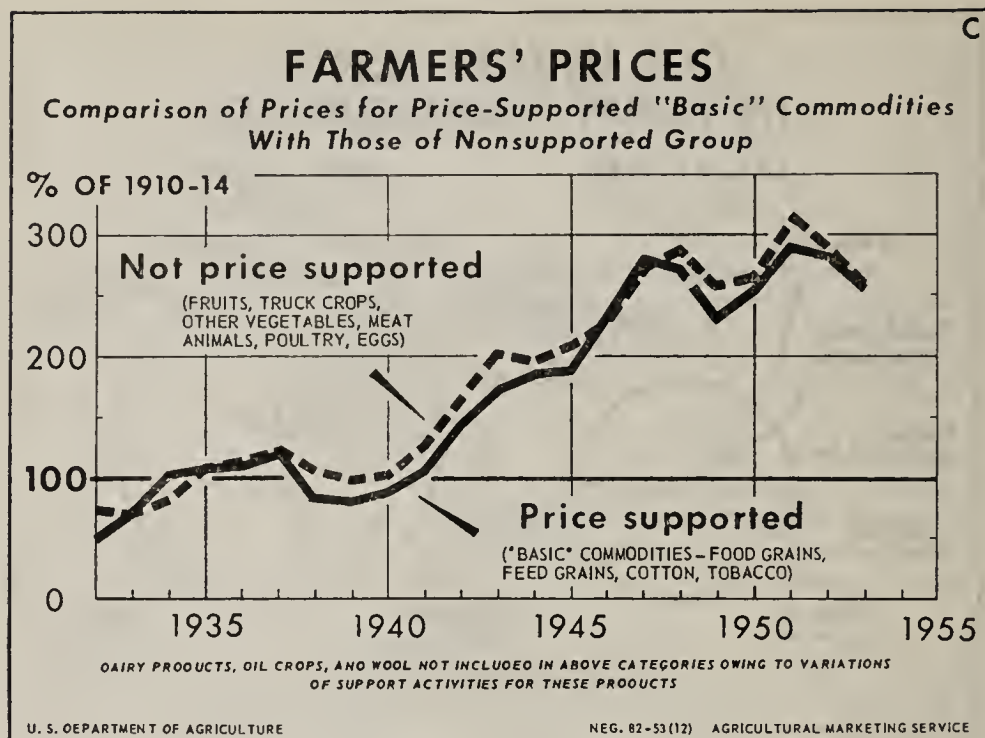
B



CROP YEARS BEGINNING: WHEAT, JULY 1; COTTON, AUG. 1; CORN, OCT. 1; FATS AND OILS, OCT. 1. HEIGHT OF BARS ARE PROPORTIONAL TO VALUE.

U.S. DEPARTMENT OF AGRICULTURE

NEG. 80-54 (1) AGRICULTURAL MARKETING SERVICE



Secretary BENSON. That concludes the formal statement, Mr. Chairman.

Now, if the members of my staff or I can be helpful to the committee in trying to answer questions we will be glad to do so.

I would like to take the liberty of asking Mr. Morse, the president of the Commodity Credit Corporation, to carry a major part of the burden on the questioning, if I may.

The CHAIRMAN. Thank you, Mr. Secretary.

If it is allowable, and I believe it is, the charts may be incorporated as part of the record.

Mr. Talle.

Mr. TALLE. Mr. Chairman.

Mr. Secretary, do you not believe that the surpluses in storage could be cut down considerably through expansion of consumption both at home and abroad?

Secretary BENSON. We feel very strongly in the Department, Dr. Talle, that the job is only half done when we have produced a commodity. The other important half is the marketing of the commodity.

We have in our reorganization of the Department greatly strengthened our marketing facilities. We have reorganized our Foreign Agricultural Service, and we have brought together in one agency in the Department, in our Agricultural Marketing Service, all of our work pertaining to domestic marketing. We have done this because we feel that we need to place more emphasis on marketing. We are just now organizing some trade missions to go into Asia, Europe, and the South American countries in the hope that we can be helpful to the trade in opening up new markets and expanding present markets for our farm products—particularly those that we produce in surplus.

We do feel that much can be done in that direction. It does not happen overnight, but we are working at it very hard, and we believe that much can be accomplished.

Mr. TALLE. I certainly agree with you, Mr. Secretary, a hundred percent.

Now, looking at the situation at home, we are not interested, of course, in breaking the market.

Secretary BENSON. That is right.

Mr. TALLE. But do you see opportunities for disposing of our surpluses to institutions like schools, orphanages, homes for the aged, through CARE, and other outlets through which some of the surpluses might pass, without breaking the market?

Secretary BENSON. Yes, sir; I feel that there are real opportunities. We are pushing in that direction now, and have been for some months, and we are actually moving commodities through some of these relief and emergency agencies, both foreign and domestic agencies, including CARE which you mentioned.

We think that much can be done in that direction, and should be done, and as a matter of fact it is being done. There is a limit, of course, as to how far we can go, but we are certainly doing everything we can to push that. Sometimes it may displace other sales. We try to watch so that we will not interfere with the normal channels of trade. We think that in the long run we have got to do all we can to strengthen the normal channels of trade because after all that is our biggest hope, in our judgment, at least.

Mr. TALLE. Very clearly, diets can be changed. We noted that in the 1920's when people began consuming more vegetables and fruits than had been in their diets prior to that time. Dairy products are healthful foods.

Secretary BENSON. Our people in our home economics department, of course, are studying that constantly. We feel, as we have had conferences with the dairy groups, for example, that there are many areas where we need to have a very great increase in the consumption of dairy products, particularly fluid milk, in the interests of the health of our people, and that industry is an example of one that is pushing, through a nationwide campaign, greater consumption of dairy products.

Certainly there is a big market at home, as well as abroad. It will take education, it will take time, but we are working very vigorously.

Mr. TALLE. Now, looking at the foreign market, as foreign aid is cut down—and it seems to me that it must be—our exports will decline by the amount of our giveaway programs. It is true, is it not, that the decline in our exports has been very marked? And I am wondering what prospects there may be for regaining some of the markets we have lost?

Secretary BENSON. Of course, it is a rather complicated problem, this foreign export problem. We feel that the dollar position is improving somewhat. Of course, some mistakes have been made, and I guess we will always make mistakes.

As one example, the acreage was cut pretty heavily—I think it was in 1950—on cotton, and we cut it so far that we were fearful we were not going to have enough to meet our domestic requirements during an emergency period. Then an embargo was placed on the exports of cotton which stimulated the production of cotton abroad, and prices

went up to nearly \$1 a pound. But once acreage has been stimulated abroad it is very hard to contract that acreage later.

Mr. TALLE. Much of that was picked up by Mexico and Brazil, was it not?

Secretary BENSON. And quite a lot, of course, over in the Middle East, Egypt particularly.

Of course, the countries abroad have come back into production to a very large extent—I mean into agricultural production. Their production went way off during the war. We filled the gap by exporting great quantities, much of which was given to them, as you know. They have come back into production in recent years, and that has had its effect, of course, upon our exports abroad.

But we do feel that there are still opportunities to sell more abroad than we are selling. In fact, there has been a slight upturn in exports in the last few weeks, which is encouraging to us.

Mr. TALLE. Thank you, Mr. Secretary.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Secretary, let me clear up one thing before we go any further. From private conversations with members of your staff it has been found necessary to make this money available prior to July 1; do I understand that you are recommending that section 3 of the bill, which would effectuate this new authority on July 1, be deleted so as to make the money immediately available?

Secretary BENSON. Yes, sir; that is our desire, Mr. Chairman. We feel that that is imperative and important that it be done immediately.

The CHAIRMAN. Mr. Spence?

Mr. SPENCE. Mr. Secretary, I feel very kindly toward this bill. I think price support has been the very heart of the farm program, and I know that beneficent results have come to farmers of my section who are in poverty and distress, and without price support I don't know what would have happened to them. And I assume that this will be as necessary in the future as in the past. I think the Commodity Credit Corporation is one of the great agencies of the Government, and has rendered a service which cannot be overestimated.

Now, it has always been your practice, heretofore, as I understand, to do your financing through the Treasury; that is true?

Secretary BENSON. Yes, sir; the great bulk of the direct financing has been done through the Treasury.

Mr. SPENCE. When you borrow from the Treasury, of course, they issue their bills and notes and that becomes a part of the debt of the Government; isn't that true?

Secretary BENSON. Yes, sir.

Mr. SPENCE. You increase the national debt by your borrowing from the Treasury?

Secretary BENSON. Yes, sir; that is my understanding of the effect of it.

Mr. SPENCE. The national debt does not reflect contingent liabilities. They do not go into the computation of the debt limit of the national debt; isn't that true?

Secretary BENSON. If you are referring to notes held by banks as one of the contingencies, that is true.

Mr. SPENCE. Now, as I understand it, you were able to finance your obligations through the Treasury at about 1½ percent. Is that true?

Secretary BENSON. It was as high as 2½.

Mr. Beach, the budget officer, informs me that it was 2½ percent beginning July 1 of this year, but that it has since been reduced to 1⅞ percent.

Mr. SPENCE. But heretofore the Treasury has obtained the money by issuing their bills and notes at 1½ percent; is that true?

Secretary BENSON. May I ask Mr. Beach to comment on that?

The CHAIRMAN. Yes.

Mr. BEACH. Mr. Spence, in July of this year our borrowing rate from the Treasury was set at 2½ percent. That is a higher rate than it had previously been, but it was based on the then average cost of money to the Treasury.

Mr. SPENCE. Wasn't that largely——

Mr. BEACH. Since that time the interest rates have declined and the Treasury has reduced our borrowing rate down to 1⅞ percent effective in February. Our rates that we set to banks, under our lending agency agreements, are usually set once a year, before the lending season, and the interest return to banks allowed for the 1953 crop operations was 2½ percent, approximately the same as our rate of borrowing from the Treasury at that time.

Mr. SPENCE. Wasn't it suggested to the banks to purchase these debentures and that they would bear 2½ percent? And the banks did form that pool and they did purchase over a billion, \$100 million in certificates, and the certificates of interest were issued to the various banks that purchased them? Now, wasn't the increase in the interest rate in the Treasury in accordance with and as a result of the interest rate that you provided for the banks?

Mr. BEACH. No, sir; I would like to explain how that financing was arranged.

The Treasury asked the Commodity Credit Corporation, along in June of this last year, if it would review its method of financing its operations to see whether a larger portion of it might not be financed through banks, thus taking off the burden on the national debt limit. The practice had been in use for years, since 1941, of issuing certificates on cotton loans. That is an oldtime practice with the Corporation. It was decided that the only way that bank financing of the Corporation's operations could be increased was to issue certificates on grain loans which previously we had not done.

It was also the feeling that the country banks were holding about as much of that paper as they could, with their capital structure; therefore, the only opportunity to increase the financing was through city banks. We made a pool, as you said, of the loans that the Corporation held in its own portfolio, either through having made them in the original instance or through having purchased them from country banks, and sold certificates of interest in that pool to banks which bid for an interest in the pool.

The rate of interest that was set on the certificates was established by the United States Treasury, not by the Commodity Credit Corporation, and it was set on a basis to be sure to sell the certificates.

Mr. SPENCE. But previous to that time the Treasury was obtaining funds at 1½ percent; isn't that true?

Mr. BEACH. Previous to that time they were. At about the time the negotiations were made on the first issue of certificates the rates

that the Treasury was paying on comparable maturities, 9 to 12 months, were very high and were approximately in line with the certificate rate.

Mr. SPENCE. After these certificates were issued, over a billion dollars, guaranteed as to interest and principal by the Government, and paying 2½ percent interest, wasn't it rather difficult for the Treasury to issue their notes and bills at 1½ percent in competition with this investment paying 2½ percent guaranteed as to principal and interest by the Government?

Mr. BEACH. Sir, the Commodity Credit Corporation certificates are not guaranteed by the Government. They are issued on the credit of the Commodity Credit Corporation only. That is the reason they are not considered a part of the public debt transactions. They are not a part of the public debt until we actually obtain money from the Treasury to pay off the banks.

Mr. SPENCE. Yes, sir; when you obtain the money from the Treasury they do become a part of the public debt?

Mr. BEACH. Yes, sir.

Mr. SPENCE. And the contingent liability is not a part of the public debt?

Mr. BEACH. That is true. As far as the rate is concerned, the Department of Agriculture consulted with the Treasury Department, and the Treasury established the rate on the certificates. It is not a competitive rate because of the difference in the nature of the item. They set the rate on the basis that they thought would be sure to sell the certificates.

Now, the rates on the comparable maturities of Treasury securities have declined markedly since the first issue of those certificates.

Mr. SPENCE. Well, now, is not that a subterfuge, to get the money from the banks rather than go to the Treasury and have it added to the national debt, in order that you wouldn't break through the debt limitation?

Mr. BEACH. Sir, I don't think it was a subterfuge. It was announced at the time that it was being done that that was the purpose for doing it.

Mr. SPENCE. That was the purpose for doing it?

Mr. BEACH. Yes, sir; but it was a continuation of a practice, and an extension of a practice that had been in existence since 1941 in the Commodity Credit Corporation.

Mr. SPENCE. If the Corporation had gone to the Treasury and borrowed the money, the Treasury would have issued its notes and would have gone into the debt immediately, would it not? It would have been added to the public debt of the United States and would have violated probably the debt limitation?

Mr. BEACH. That is right.

Mr. SPENCE. I have no objection to raising the debt limitation if necessary. I voted for it. But if that contingency had not existed do you think they would have gone to the banks and gotten that money?

Mr. BEACH. Sir, it has been the practice of the Commodity Credit Corporation during its existence to use private trade facilities to the maximum possible extent. In fact, it is so required by the charter.

Mr. SPENCE. What was the difference in the cost of this money at the prevailing rates and the rate set of 2½ percent?

Mr. BEACH. I have a chart here which shows the comparison.

Mr. SPENCE. I understand that it cost about \$9 million more, and that the increase in the general level of interest rates by the Treasury cost the Government almost \$100 million. Is that true?

Mr. BEACH. No, sir; I don't believe it is. The interest rate on Treasury borrowings, on 9- to 12-month maturities, in May and June of 1953, was up to approximately 2½ percent. That was the rate at which the Treasury was borrowing money on their regular issuances of securities. It was on the basis of that level of rates that they set a rate of 2½ percent on the certificates of interest issued by the CCC. The rate the Treasury paid for its money, 9- to 12-month maturities, and also on its 3-months' bills, declined very steadily from about May and June of 1953, right down through October and early November. There was a slight rise in November and December, up to around 1.7 percent yield to the purchaser of those maturities.

Since that time the yield has declined further.

Now, the Treasury has reflected in the certificate rate the decrease in the overall money rates that they have been paying, by lowering the rate to 2¼ percent on our last issue of certificates. They felt that was as low as they should go on the certificates of interest.

Mr. SPENCE. Wasn't that whole thing a reflection of the increase in the interest rate, in order to get the banks to participate?

Mr. BEACH. There is no question but what the rate was set high enough to get the banks to participate; yes, sir.

Mr. SPENCE. Yes, sir.

Mr. BEACH. That has been the aim of the Corporation, to give the banks a return sufficient to encourage them to hold this paper.

Mr. SPENCE. And the real impelling reason was, I think, to prevent you from going above the statutory debt limitation. Wasn't that largely instrumental in doing that?

Mr. BEACH. I think that is true. There is a statement here by Assistant Secretary Burgess, of the Treasury, which was inserted in the Congressional Record on February 18, 1954, which you may like to have inserted in the record of this hearing, which explains the Treasury's side of this matter.

Mr. SPENCE. Well, what do you think? I would like to know what the Secretary thinks about the desirability of doing this financing in the Treasury, rather than through the banks?

Secretary BENSON. May I first ask, Mr. Chairman, if we may put this statement in the record, this statement of Mr. Burgess?

The CHAIRMAN. It may be done.

Secretary BENSON. It does clear up this question, so far as the Treasury's position is concerned. It is a very short statement.

The CHAIRMAN. It may be helpful in view of the questioning.

Without objection, that may be done.

(The document is as follows:)

[Excerpt from Congressional Record of February 18, 1954 (No. 31)]

RE CCC CERTIFICATES OF INTEREST—QUOTATION OF STATEMENT BY
ASSISTANT SECRETARY OF THE TREASURY

"Since the beginning of its program in 1933, the Commodity Credit Corporation has utilized the services of banks in making loans to farmers on agricultural commodities. Banks use their own funds in making price-support loans and under the terms of an agreement with CCC may sell the producers' notes to the Corporation at maturity or prior to maturity. When banks do not keep their

own funds invested in price-support loans the CCC must pick up the loans by borrowing directly from the Treasury.

"In order to increase participation by banks in the program and as an aid to the Treasury keeping the public debt within the statutory limit, the CCC has made three offerings to banks for the purchase of certificates of interest in crop-support loans. These certificates are issued against a nationwide pool of unmatured crop loans. When the loans mature they are taken out of the pool and an equivalent amount of certificates must be redeemed unless other unmatured notes are available to replace the matured notes in the pool.

"Certificates of interest have been used for a number of years in financing the cotton program. They are a convenient and practicable way in which to permit banks to participate in crop-support loans. The certificates are not obligations of a type requiring the approval of the Secretary of the Treasury; they do not carry on their face any guaranty by the United States, and therefore they do not fall within the statutory debt limit.

"The certificates of interest are not obligations of the Treasury. They are obligations of CCC redeemable on demand. The Treasury is obligated to advance money to CCC within the limit of its borrowing, now \$6,750,000,000.

"The following table gives some details regarding the three offerings of certificates of interest:

Date of issue	Interest rate	Amount
	Percent	Millions
Oct. 28, 1953.....	2½	\$357
Dec. 17, 1953.....	2¼	449
Feb. 2, 1954.....	2½	351

Secretary BENSON. Mr. Spence, of course, we have felt that in all of our operations in the Department we should use the normal channels of trade, the normal agencies, private agencies, insofar as it is feasible to do so. The Corporation had been encouraging the local banks to take an active part in this financing in years past. As we reviewed it, we thought that was a good policy and probably something that should be encouraged, just as we feel that in encouraging the expansion of markets we would like to see it done by private trade and private agencies, and not increase Government competition with private agencies.

Mr. SPENCE. That would insure that the farmer would pay a higher interest rate on his loans, would it not? If the cost of money was higher?

Secretary BENSON. Well, it would depend on the conditions, of course. It may or may not. In this case it apparently did result in some little increase.

Mr. SPENCE. Well, do you think it is desirable to continue that practice, or do you think that the financing in the future ought to be in the Treasury as it has been in the past?

Secretary BENSON. We have felt that it is a desirable practice, Mr. Spence.

Mr. SPENCE. That is what?

Secretary BENSON. We have felt that it is a desirable practice, that is has been a sound practice in the past, and we think probably it should be encouraged in the future, within limits, of course.

The CHAIRMAN. I doubt whether you two are together on that. As I understand the situation, the practice which Mr. Spence referred to was Treasury financing, and the practice you referred to, as I understand it, is to expand the participation by banks.

Secretary BENSON. Yes, sir; that is my position.

The CHAIRMAN. I don't think you would want your answer to stand as being mininterpreted.

Secretary BENSON. I am sorry if I didn't make myself clear.

The CHAIRMAN. I think you made yourself clear, but in this colloquy between the two of you I don't think the record is clear.

Secretary BENSON. Well, we felt, in our consideration of it, that we should encourage private lending agencies to assist in the program, as we have encouraged private agencies in all of our marketing work, and not increase Government participation. We feel that where possible we should reduce Government participation, and increase the participation of private agencies.

Mr. SPENCE. Even when the participation of private agencies, in interest, will cost the Government more eventually?

Secretary BENSON. Well, of course, there are a number of things to consider. It would have to be done within limits, of course, but probably the Government could make loans in many fields at a lower rate than that for which we could get them from private lending agencies. We wouldn't want the Government to do all the loaning and throw those private agencies out of business.

Mr. SPENCE. Generally you can get money from the Treasury at a lower rate than you can from private enterprise, can't you?

Secretary BENSON. I would like Mr. Beach to comment on that.

Mr. BEACH. Sir, the rate that we pay the Treasury is established by the Treasury on the basis of the rates they pay for comparable maturities. So, as far as the Department of Agriculture is concerned there is no difference whether we finance directly by borrowing from the Treasury or by issuing certificates. There would be, as you say, however, a difference in the overall cost to the United States Government if the rate paid on certificates were out of line with comparable maturities of Treasury certificates.

Mr. SPENCE. I think that it is inevitable that if the Treasury authorized the payment of 2½-percent interest to private investors that they would have to raise their general rates in order to get the money in competition with those investors; isn't that true?

Mr. BEACH. Sir, they set the rate at 2½ percent in the initial instance on the basis of the then going rate for comparable maturities of Treasury certificates and also recognizing the fact that it was not a Government-guaranteed security and that it had to have a little premium rate in order to make it salable to banks.

Mr. SPENCE. But up to that time the Treasury was able to obtain funds at 1½ percent; isn't that true?

Mr. BEACH. Yes, sir; prior to the rise in the money market in June 1952 the rate was as low as about 1½ percent.

Secretary BENSON. May I also add, Mr. Spence, that we have announced that the interest rate to farmers, on the 1954 crops, will be reduced from 4 percent, which has been the rate this year, to 3½ percent for next year's crops, reflecting the change in the money market as has been explained here by Mr. Beach.

Mr. SPENCE. What was the rate after you increased the interest rate to 2½ percent? What was the rate to farmers at that time?

Secretary BENSON. It was 4 percent, set at the beginning of the crop year, and we have now announced that at the beginning of the crop year on the 1954 crops the rate will be 3½ percent to farmers.

Mr. SPENCE. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Kilburn.

Mr. KILBURN. Mr. Secretary, I am in favor of the price support being reduced on these things, but in view of your chart here I don't quite understand the Agricultural Department's position in reducing from 90 to 75 percent on dairy products, but not reducing on the feed that the dairyman has to buy, when those items, according to this chart, are very much bigger than the dairy items. Is that because you have not got the legislation?

Secretary BENSON. Well, that is only a partial answer, I would say. We looked at this whole dairy picture before we made the adjustment in the support level. Our solicitor gave us the opinion that under the law we were obligated to set it at the minimum because the law requires that they must be set at a level which will bring forth adequate supplies. In view of our storage stocks at the present time, the anticipated production, the possible increase in pasture and hay crops on the acres diverted from some of the basic crops, it appears that we will probably get adequate production, even at the level which has been set.

Now, the question of feed, of course, is important, but many of the feeds that go into the dairy ration are already at 75 percent of parity or near there. And there are many items, of course, that are not under supports—many of the items of feed that go into the dairy ration.

So while there may be individual items that are somewhat above, the overall feed situation is pretty much in line with the support level which we have set, and, of course, we anticipate that, from a longtime standpoint, there will be a closer relationship between prices of feed grains, the basic commodities, and dairy supports.

We feel that in the long run the thing we have done will be in the interest of the dairy farmers.

Mr. KILBURN. The reason I asked that is that apparently, according to this, wheat has about six times as much invested in it as dairy products and yet you didn't put wheat under lower price supports.

Secretary BENSON. Well, of course, the law doesn't permit it on wheat.

Mr. KILBURN. You need legislation for that?

Secretary BENSON. Yes, sir; we need legislation to have any flexibility in the support level on the basic commodities. The 1948-49 act, passed by the 80th and 81st Congresses, does provide for that, and the President has recommended that there be some flexibility in those commodities, of course.

Mr. KILBURN. Is it fair to ask you if you would support flexible price supports for wheat, corn, and cotton?

Secretary BENSON. Yes, sir; I have recommended them, and I would like to make this further comment also on the dairy situation: While we set the support level at 75 percent of parity, if conditions should change during the marketing year the Secretary has the authority, under the grant of power by the Congress, to raise those supports. Now, he doesn't have the authority to lower a support during the marketing year, once it has been set, and during the marketing year soon to end, for which the supports were set at 90 percent, there was no change that we could make downward during the marketing year. But should there be a change in the picture

during the ensuing marketing year that would justify raising the level, the Secretary has that authority.

Mr. KILBURN. Mr. Chairman, just one question in relation to the questions asked by Mr. Spence.

If I understood both correctly, when you borrow from the banks you simply follow the policy that the Commodity Credit has followed since 1941; is that correct?

Secretary BENSON. Yes, sir; that is correct, and we feel that is a sound policy. We would like to encourage it, as a matter of fact.

Mr. HAYS. Would you yield to me for a question along that line?

Mr. KILBURN. I yield.

Mr. HAYS. You said, Mr. Secretary, that a large proportion of the feed in the dairy ration is not under supports. What would you say is the biggest item in dairy feed? What grain? I don't want to boobytrap you. I can tell you I am in the dairy business. I don't want you to be under any illusions.

Secretary BENSON. Well, I have been in the dairy business for about a quarter of a century.

Mr. HAYS. Well, you have a few years on me.

Secretary BENSON. Of course, my sympathies are very much with the dairy farmer.

I presume the biggest item would be your protein concentrates, possibly.

Mr. HAYS. That might be in cost, but not in bulk, would it?

Secretary BENSON. Probably not in bulk but in cost. I thought you meant in cost.

Mr. HAYS. Your biggest item in bulk would be corn, would it not, in the average dairy ration? If not the biggest, it would be right up there?

Secretary BENSON. It would depend somewhat on the type of roughages you were feeding at the same time.

Mr. HAYS. Well, in a modern ration where they try to feed a lot of silage and good hay, corn is pretty high.

Secretary BENSON. Yes, sir; corn is a big item. Of course, the level of corn price support is at 90 percent of parity—that is, the law provides for that, but actually prices received by farmers in the free market are only 79 percent of parity, and prices received for wheat, of course, are only 82 percent of parity.

Mr. HAYS. Of course, that very fact leads a lot of farmers to plant more corn, up until they had a quota on it and sell it to the Government, because they can get more there than anywhere else.

Secretary BENSON. That is right.

Mr. HAYS. They have been constantly depleting the soil and putting out crops that deplete the soil instead of building it up, so that the Government does create an ever bigger surplus and pay for it. I think Mr. Kilburn's argument about the very small proportion, around 6 percent of your money, that is in dairy products, as against a much larger percent in corn and wheat, is a telling argument, and as one Member of Congress I am not going to support any farm program which throws this percentage further out of balance because it is in bad shape now.

Secretary BENSON. That is right.

Mr. HAYS. And I want somebody, when you testify before the Agricultural Committee, to give me the justification for peanuts and rice being among the six basic commodities.

Secretary BENSON. We think there should be a greater balance in the whole farm economy, and certainly there must be a very close relationship between livestock and feed grains.

Mr. HAYS. I am glad to hear you say that.

The CHAIRMAN. Mr. Brown.

Mr. BROWN. Mr. Secretary, as I understand this bill, the purpose is to increase the borrowing power of the Commodity Credit Corporation from \$6,750 million to \$8,500 million. It doesn't have any other purpose?

Secretary BENSON. That is my understanding of it.

Mr. BROWN. Price supports are not involved in this bill at all; is that right?

Secretary BENSON. There is nothing in the bill that mentions flexible or rigid price supports.

Mr. BROWN. Since October 1933, the Commodity Credit Corporation has lost a good deal of money on various farm commodities. On some commodities it made money.

I would like to have a breakdown, from October 1933, to December of last year, showing how much was lost in each farm commodity, or how much profit was made. I know that you made a good deal of money on cotton. I want to know what has been gained and lost on the basic commodities and the nonbasic commodities, each item.

Secretary BENSON. Congressman, may I just comment, then ask Mr. Beach to enlarge upon the statement which I will make.

Mr. BROWN. Surely.

Secretary BENSON. Something like a year ago we asked our office of budget and finance to make a study of this whole question of the cost of the farm program. There were a lot of figures in circulation, some in conflict with others, and we asked them to make an objective study so that the facts could be assembled and released, and that study has been made, and I think it was incorporated as part of the record before the Senate Agriculture Committee.

Since that time I believe this committee, if I am not mistaken, Mr. Chairman, when I was here before, asked if we could break it down by commodities, and that has now been done as accurately as we can do it, and Mr. Beach is prepared to comment on it and possibly put in the record anything you may wish on that.

Mr. BROWN. I want it incorporated in the record. It is all right for you to make comments, if you desire.

Mr. BEACH. I might make this one comment, Mr. Brown: The figures that I will have put in the record represent the realized gain or loss on the Commodity Credit Corporation program operations. They do not include the net excess of interest and other expense over income. It is what we call program operating results. That is a part of the overall analysis that the Secretary just mentioned.

Mr. BROWN. I would like it inserted in the record. I notice that the Commodity Credit Corporation has made a profit of over \$268 million in the last 20 years; is that correct?

Mr. BEACH. From October 1933 to December 31, 1953, the Commodity Credit Corporation showed a program gain of \$268,267,506 on cotton.

Mr. BROWN. Well, that is a profit they made over the years?

Mr. BEACH. That was largely made on 1934-37 crop cotton; yes, sir.

Mr. BROWN. I want to know what they gained since 1933 up to the present time.

Mr. BEACH. That is correct. That is the figure.

Mr. BROWN. Well, I would like to have a breakdown by commodities, basic and nonbasic, and have it in the record.

Mr. BEACH. The total for basic commodities was a loss—this is over the period from October 17, 1933, the beginning of the Corporation, through December 31, 1953—on basic commodities there was a loss of \$63,567,684. On designated nonbasic commodities there was a loss of \$738,844,005. On other nonbasic commodities there was a loss of \$423,826,894, making a grand total loss on price-support program operations, exclusive of interest and overhead expense, of \$1,226,238,583.

Mr. BROWN. That is the total loss over the 20-year period, a little over a billion dollars?

Mr. BEACH. That is correct, on CCC operations only; yes, sir.

Mr. BROWN. Well, I hope the newspapers correct their past statements because I have been reading a lot about a 7 and 8 billion dollar loss.

The CHAIRMAN. Mr. BEACH, have we differentiated sufficiently between the Commodity Credit Corporation loan program and the actual cost of all Commodity Credit Corporation activities, as mentioned in the Secretary's statement here, the write-off of some \$600 million on February 12 was occasioned by the losses under the International Wheat Agreement, and what was the other program?

Mr. BEACH. Foot-and-mouth disease eradication, International Wheat Agreement, and impairment to the capital of the Corporation which existed as of June 30, 1953.

The CHAIRMAN. Those are separate and apart from your loan agreement programs?

Mr. BEACH. No, sir; the portion of the note cancellation represented by capital impairment was a reflection of realized and anticipated losses on the price-support programs, as well as the remainder of the overall Commodity Credit Corporation program.

I should like to mention, in connection with the statement that I gave Mr. Brown, that I wanted to emphasize that the figures stated relate only to the Commodity Credit Corporation, whereas the analysis that the Secretary was mentioning a moment ago covers the entire operations of the Department, and all other programs related to price stabilization, some of which, of course, are in addition to those of the Commodity Credit Corporation.

Mr. BROWN. I understand you have lost something over a billion dollars on the price-support program?

Mr. BEACH. The figures I read to you are on the price-support program of the Commodity Credit Corporation.

Mr. BROWN. That is all I am asking about, the price-support program of the Commodity Credit Corporation.

Secretary BENSON. Mr. Chairman, may I ask Mr. Wheeler, of our Budget and Finance Office, to make a supplementary addition to what Mr. Beach has just said?

Mr. WHEELER. Let me just say this, the figures Mr. Beach has given, as he indicated, relate to the costs of the price-support program

reflected in the records of the Commodity Credit Corporation. The analysis of realized costs of all programs of the Department of Agriculture, to which the Secretary referred——

Mr. RAINS. Mr. Chairman, Mr. Brown didn't ask for that.

Mr. BROWN. Not at all.

Mr. OAKMAN. Mr. Chairman, can't we hear it?

Mr. RAINS. Go ahead and put it in, but let us keep it separate.

Mr. WHEELER. This is a separate statement.

It includes and identifies separately the CCC figures, to which Mr. Beach referred, and also includes the costs of other related programs of the Department. I think that is the distinction that we need to keep in mind.

Mr. MULTER. To get a clear picture we should also have the cost of operation, as one item, and the interest, which is also a part of the total cost. You cannot say "I have lost a billion dollars on an item" and then not include the interest which is also part of your cost, and your cost of operation. That increases the loss. To have a clear picture you ought to have both those figures in the record.

Mr. WHEELER. The interest costs are in the figures in the table; yes, sir.

Mr. MULTER. In the \$1 billion loss?

Mr. WHEELER. No.

Mr. MULTER. You excluded cost of operation and the interest in giving us that cost of \$1 billion for the operation of the price-support program?

Mr. BEACH. The reason we have to exclude interest in a statement of that kind, Mr. Multer, is the fact that you cannot break interest and operating expense down by individual commodities.

From October 17, 1933, through December 31, 1953, the net excess of overhead and interest expense over interest income was \$322,394,800 for all CCC programs.

Mr. MULTER. Why not, sir?

Mr. BEACH. Because there is no way to allocate operating expense for an individual commodity.

Mr. MULTER. I will go along on that, but why can't you break down the interest?

Mr. BEACH. Of course, we can break down interest income on loans, but the interest paid is a different item. We have no way of separating out the interest on borrowings from the Treasury which relate to a particular commodity from interest on borrowings for other commodities or other programs. We could by arbitrary proration arrive at the cost, but it would be arbitrary.

Mr. MULTER. Your whole program is operated on borrowed money.

Mr. HAYS. If we have the total cost I think that is all right.

Mr. BROWN. Flexible-support prices are not involved in this bill. I will take that up with you later on, Mr. Secretary. You and I do not agree on the flexible-support idea.

Secretary BENSON. Very well, Mr. Brown.

The CHAIRMAN. Mr. McDonough.

Mr. McDONOUGH. Mr. Secretary, can you give us a figure as to how much the surpluses we have on hand would supply the need for those commodities for how many years?

Secretary BENSON. Well, I don't know that I can give it offhand entirely accurately, but we estimate—and I would like Mr. Morse to check me—we estimate that on July 1, this year, at the beginning of

the new year on wheat, for example, we will have enough to supply our needs for a full year, and on August 1, the new marketing year on cotton, enough to supply our needs for cotton for a year.

In the case of vegetable oils, I think we have enough to supply our needs for something short of a year.

I can't answer the question as to dairy products, offhand.

Mr. McDONOUGH. On butter, for instance?

Mr. MORSE. It would run distinctly short of a year. It would be a matter of months on butter, a quarter to a third of a year.

Mr. McDONOUGH. If it were put into the channels of trade?

Mr. MORSE. Yes, sir.

Secretary BENSON. And if you could stop production for that period, which you cannot do, of course.

Mr. HAYS. You cannot do it with any product.

Secretary BENSON. That is right.

Mr. McDONOUGH. In your program for reducing surpluses, for how long a period do you think it is safe to accumulate an inventory of surpluses for the requirements of the Nation?

Secretary BENSON. Mr. Morse will answer that.

Mr. MORSE. That, of course, gets us into this matter of export trade, and also into weather. We are deeply concerned with the weather picture as we have it out through the Great Plains country at this time. Those are unpredictable. The storable commodities, we can carry, but when you get into items like dairy products the situation is different. I might add that this dairy production, in spite of drought and the other situations we have had, has been going right on up. It is part of the complication of the dairy situation.

I don't know whether that answers your question or not, sir.

Mr. McDONOUGH. Yes, sir; I think it does.

In other words, in planning for the future, to reduce the surpluses, and in order to consequently reduce the obligations of Commodity Credit Corporation funds, you cannot say at this time what reduction we should aim at insofar as accumulating surpluses is concerned?

Mr. MORSE. Yes, sir; except that we know we have much more in the four major categories than we should be carrying. Normally, the trade would be providing for carryover from one season to another. In addition to limited quantities that might be in the price-support operation, that is. But this present accumulation, by any measurement that we have seen laid against it, is becoming very excessive, and it creates, of course a price problem for farmers. They are taking the penalty by virtue of the fact that it isn't moving into the channels of consumption, and it stands here overshadowing the markets as indicated by the current market prices.

Mr. McDONOUGH. Do you have any plans for including other staple commodities in the price-support program which are not now included in such program? And, if so, can you name those commodities at this time?

Mr. MORSE. I believe not at this time. I don't have any in mind.

Of course, when you get into the perishables, there are situations that change from year to year, and again it is a matter of fluctuations in production. There may be a temporary overproduction for a time.

In some commodities, farmers are asking us to stay out of the market when surplus situations occur. The broiler industry, for instance. They say, "Now, when we get overproduction stay out. Don't

come in." And the turkey people are saying the same to us. Otherwise farmers, the producers, will not adjust their production, and a buildup or continuation of the problem would occur rather than solving it quickly and getting back onto a current situation.

Mr. McDONOUGH. What about the problem of equality between the food grains and the cattle industry. How are we going to adjust that problem to bring that down to the point of equity?

Mr. MORSE. That gets into the recommendations which the President has made, and, of course, you have two adjustments that are suggested.

First of all, that these four basic crops which are still figured at old parity—and the only ones, with minor exceptions, still figured at old parity—be figured at modernized parity.

And, secondly, that there be flexibility to help bring about adjustments.

One of the questions that was raised earlier with the Secretary I think is illustrated very dramatically at the present time in the corn-hog relationship. Hogs bring about 120 percent of parity, and corn under 90 percent support, and an excessive supply. About half of the corn is normally sold as pork. We would not have anything like this accumulation of corn if enough hogs were being produced so that they would sell at a hundred percent of parity.

We need, to solve part of this accumulation in that way, feed it to get more pork.

Mr. McDONOUGH. In other words, you think that the agricultural economy needs to be balanced better than it is now by some adjustments in those commodities that are on a parity and those that are not included in the program? There has to be some balance. We are out of balance now, in other words?

Mr. MORSE. Yes, sir; I think there is a popular misconception, among the public, that everything a farmer produces is supported in price. About 60 percent of his production does not have, and has not had, recently, the benefit of price supports. Supports apply to about 40 percent of the farmers income. The 6 basic commodities, including wheat, corn, cotton, peanuts, rice, tobacco, account for only 23 percent—less than a fourth of the farmers income—and it is within that area that we have most of this problem of costs and price supports.

Mr. McDONOUGH. I don't know whether you have been informed, but the farmers in my State, the California Farm Bureau, have indicated that they believe a flexible price-support policy is desirable.

Mr. MORSE. Yes, sir. Our problem here, of course, is to carry out what is written into the law, and as Mr. Beach expressed it at one of the hearings, I believe, in the Senate, recently we were faced with of the hearings, we were faced with violation of 1 of 2 laws. One is this ceiling, and the other is the definite commitment under the law to support these commodities. We are helpless, in between those two limitations.

Mr. McDONOUGH. That is all, Mr. Chairman.

Mr. PATMAN. Mr. Chairman.

The CHAIRMAN. Mr. Patman.

Mr. PATMAN. Mr. Secretary, you stated that the banks have been taking these certificates of interest how long?

Secretary BENSON. I think, Mr. Patman, since 1941.

Mr. PATMAN. Aren't you mistaken about that?

Secretary BENSON. Well, I can always be mistaken, but that is the information I have. I would like to ask Mr. Beach.

Mr. PATMAN. I understood that to some limited extent individual notes were taken.

Mr. BEACH. No, sir; Mr. Patman, in the case of cotton we have sold certificates of interest every year, with respect to every crop-year, that is, beginning with 1941, with the exception of the 1953 crop.

Mr. PATMAN. And you have in other cases, too?

Mr. BEACH. No, sir; not as to other grains, only on cotton. Now, this year, for the first time the certificate plan was extended to grains.

Mr. PATMAN. And on other products?

Mr. BEACH. Well, primarily all grains; yes, sir. It also included tobacco.

Mr. PATMAN. In other words, it has only applied to cotton in the past?

Mr. BEACH. That is correct.

Mr. PATMAN. To what extent, in what amounts, per year? Would it run a hundred million dollars a year?

Mr. BEACH. I will give you the figures year by year, if you want them.

Mr. PATMAN. I don't want to take that much time.

Mr. BEACH. Well, using the figures for the outstanding certificates at the end of each fiscal year, it goes up as high as \$437 million—that is for 1953. Previously, it was as high as \$299 million in June of 1944.

Mr. PATMAN. That only applied to cotton?

Mr. BEACH. That is correct.

Mr. PATMAN. Where are these certificates of interest now, the ones that were sold last year? I believe you stated that the country banks were not in a position to buy them, but that the city banks were. Where were these certificates of interest and individual notes sold, principally?

Mr. BEACH. They were sold to city banks, and they were sold through the Federal Reserve Bank of Chicago. I do not have a listing of the banks that bought them, but they were generally large city banks that subscribed for those certificates on grains and commodities other than cotton.

Mr. PATMAN. Now, then, Mr. Secretary, don't you realize that when you encourage banks to buy these certificates of interest, and individual notes, direct, that you are in effect taking away potential credit and available credit from local people, including local farmers?

In other words, you are sending paper from Washington down there which is causing that bank to be loaned up, and, then, when the local farmer goes in the banker says, "I am loaned up," and a lot of that has been caused by your certificates of interest.

Don't you see a problem there, where you are actually making it harder on the local farmer?

Secretary BENSON. I think it has created no problem, Congressman Patman. In the main, of course, these are bought by the city banks, and we have had no complaints that there has not been credit available.

Mr. PATMAN. Well, I am complaining, and I am complaining because of letters I have received from all over the country, and particularly from my districts, where farmers even give names of banks and bankers, and they state that they are loaned up.

I see on their statements that they own a lot of this Commodity Credit Corporation paper. So that means that you are going down there into my district and other districts, and encouraging these banks to lend their funds, invest their funds, in Washington paper, and making it hard on my people to get loans.

Secretary BENSON. I think that is not true. In the first place, we have an emergency credit program, as you know.

Mr. PATMAN. The Farmers' Home Administration?

Secretary BENSON. Yes, sir.

Mr. PATMAN. Well, all farmers cannot qualify for that.

Secretary BENSON. And also we have emergency loans for livestock.

Mr. PATMAN. I know that, but there are certain farmers that can't qualify for that.

Secretary BENSON. Well, I think those that cannot qualify for regular bank loans, of course, would qualify for Farmers' Home Administration loans. But if they can show that they cannot get credit from a local bank they can qualify.

Mr. PATMAN. I can give you instances. A man has a big family and works at a defense plant. He doesn't make enough to support his family as he would like to support it, and he also has a farm, and he wants to get a farm loan. And because he has a job at a defense plant he cannot get a farm loan through the Farmers' Home Administration.

Mr. MORSE. Congressman, the local banks do not have to hold the Commodity Credit Corporation paper. They can turn it in.

Mr. PATMAN. I understand that, but what I am talking about is this: The bankers, you know, are like everybody else. They are going to make it just as light and easy on themselves as they can, and any time they can load down with Government-guaranteed paper they are not going to be too patient with people who want to present their problems to them, which require, sometimes, minutes and hours to get into. They are just not as patient as they would be if they were looking for loans, and as long as you feed them with this good guaranteed paper, just as good as United States Government bonds, I think that you are making it more difficult for the local farmer in particular, and every person who wants to borrow money from the local banks.

Mr. MORSE. I wonder if these loans were not available to them, if they wouldn't merely turn to Government loans for that portion of their loan portfolio.

It has been my privilege to work a great deal with bankers throughout many States, and to take part in their clinics and in their programs. They are reluctant to go beyond a certain point, as you no doubt know, with loans to farmers. They want to balance up their investments.

There is another factor here, in the operations of the Commodity Credit Corporation program that, as farmers make loans and redeem, it is very serviceable and very worthwhile and important to have the local banks, the local lending agencies, in this operation.

Mr. PATMAN. I hear what you say, but I am not convinced because I know, and I have cases to show it, that because these banks have been loaned up by outside paper, including your own, it makes it hard on local people, and you can put that down as a fact, because I know it to be a fact. As long as you encourage this paper going

out to local banks you are making it hard on the very people you represent, and that is the farmer. It makes it harder for him to get a loan, and he has to pay a higher rate of interest. I refer to the sales of certificates of interest to banks that were heretofore financed by funds from the Treasury. I do not refer to loans made by local banks to local farmers.

I suggest that to you for your consideration, and I hope you keep it in mind.

When this question of cancellation of CCC notes was up before the Congress recently the distinguished majority leader, Mr. Halleck, one of the finest Members I have ever had the privilege and pleasure of serving with, and I have served with him a long time on the Small Business Committee, and I know he is a very able and sincere and conscientious person and very well informed, and he is always on the alert to point out important facts and pertinent facts, and I commend him for it as majority leader, and I just want to read a couple of sentences from a speech that he made on January 27, 1954.

Now, because of failure to increase the debt limit, and to realistically meet our situation, the Treasury has had to do in many instances what they indicated they would have to do, and it was not good business, in order to avoid going over the debt limit and creating chaos in this country. One of the things they did was going back to an earlier procedure in the Commodity Credit Corporation and say to the Commodity Credit Corporation, "Instead of borrowing all of your money from the United States Treasury, where you can borrow it more cheaply, and it being better handled, you go out and borrow money from private sources."

Now, then, the majority leader says, and I think he is right, that you should get this money from the Treasury, as it has always been—that is, generally. Of course, with that exception as to cotton. And I think he is right. It can better be handled, it will cost the farmers less—all this is charged up to the farmers—it will cost the farmer less and it is better for everybody concerned, and I respectfully differ with you in your statement that you think you would like to continue that, for two reasons.

One is it costs very much more, almost double the cost, because the Treasury can borrow on short term money now for less than 1 percent. The last borrowing on 90-day bills was at 0.89 percent, 10 percent less than 1 percent. The Treasury can borrow right now for that, and there is no reason to pay 2½ percent. That is the first reason.

Secondly, it is fundamentally wrong, and it is against the interest of the farmers for you to sell those certificates of interest and discounted bills to the local banks and cause them to be loaned up, and make it hard for local people to get money, and if they are able to get it they have to pay a higher rate of interest.

So I am submitting that to you, Mr. Secretary, for your consideration because I know you want to consider that in connection with your duties in looking after the interests of the farmer.

Mr. OAKMAN. Will the gentleman yield?

I don't quite get the point why it is morally correct to issue the certificates of interest on the cotton and not on the other basic crops.

Mr. PATMAN. It shouldn't have been on either. I didn't know it was on cotton, and you didn't, either, I imagine. Did you?

Mr. OAKMAN. No, I didn't know.

Mr. PATMAN. I don't think anybody knew. You see there are things going on in this Government that nobody knows. I learned this morning something that has been happening in the Federal

Reserve for 40 years, and I didn't know it until this morning. We are learning every day.

Mr. BEACH. Mr. Patman, may I correct one thing? I think there has been a misunderstanding of what I said. We did not use the certificate plan on grains prior to this year, but we have always borrowed from banks to finance grain programs through our lending agency agreements. Last year, for example, 95 percent of all CCC grain loans were disbursed by local banks. The only difference is that this year, in lieu of holding the paper that was sold to the Corporation, we are selling an interest in the pool of those notes to banks, in addition to actual loans made by the banks under our agency agreements.

The charter act of the Corporation requires that we use private trade facilities to the maximum possible extent, and we have so done over the years.

Mr. PATMAN. Thank you very much. I am not objecting to the use of your lending agency agreements since they involve local banks and local farmers and is not a case of selling outside paper to the local bank.

Mr. Chairman, I ask unanimous consent to place in the record, rather than to ask the Secretary questions about it, a statement—and I will tell him what it is so if he wants to answer it he can do it:

1. Why would you want to use the local banks as fiscal agents instead of the Federal Reserve banks, when the Federal Reserve Act states that the Government shall use the Federal Reserve banks as fiscal agents. In other words, the recognized policy, according to statutory law, is that the Federal Reserve banks will be used as fiscal agents, so why should you fail to use them and go to the local banks?

Secretary BENSON. Well, I think it is a convenience to the farmer. It facilitates borrowing, for him to deal through his local bank, with which he is acquainted.

Mr. PATMAN. It is all right for supervising the loan and to pay the local bank adequately for it. I would be for that. But to keep it there and make it harder for the farmer to get a local loan himself, I would be opposed to that, except where the loan involves local farmers and local banks and is used for the convenience of the local farmers.

Secretary BENSON. The CCC doesn't go to the bank. The farmer goes to the bank, his regular banker, and arranges for the loan. He does that and we have encouraged it because in addition to the practical advantages, we feel that under the law we are required to encourage it.

Mr. PATMAN. That is supervising the loan. That is perfectly all right. It is not outside paper being sold to the local bank.

Secretary BENSON. Also to get the loan.

Mr. PATMAN. I beg your pardon?

Secretary BENSON. Also to get the loan.

Mr. PATMAN. Yes, sir.

Now, you put out bids for certificates of interest, in October at 2½ percent; December at 2¼ percent; January, 2½ percent; aggregating \$1,160,000,000, and there was oversubscription up to \$4,760,000,000. Are those figures approximately correct?

Mr. BEACH. They are approximately correct.

Mr. PATMAN. Which indicates that it is something nice for the banks to get, or they wouldn't have oversubscribed so much, and particularly the city banks, which are doing the subscribing, as the gentleman pointed out.

Now, this has resulted in the Treasury having to raise its rate, and the figures I am putting in the record will show something that the gentleman from Kentucky indicated a while ago, that not only did you pay more money than you should have paid on these certificates by over \$9 million a year, because you went through the banks instead of the Treasury, but it caused the Government to have to pay more and more on 90-day bills, which cost the Government \$97,500,000 for the first year of interest.

I am putting this statement in the record.

(The statement referred to by Mr. Patman is as follows:)

CERTIFICATES OF INTEREST IN CCC LOANS

Secretary of Agriculture Benson announced on September 23, 1953, to the American Bankers Association, the outlines of a plan to allow banks to participate in a pooling of loans made by the Commodity Credit Corporation in the course of supporting prices of certain basic crops.

The purpose, he said, was "to achieve a greater investment of funds by private banks with a view to reducing the Commodity Credit Corporation's use of Treasury funds to a minimum" (American Banker, September 23, 1953).

Some details were announced by Benson on October 14, 1953, when bankers were invited to buy "certificates of interest" in the first of three pools. On the basis of transactions in more than \$1 billion worth of CCC loans, here's how the system works:

As in the past, the CCC makes price support loans to farmers, either directly or by using local banks as fiscal agents. As the amount of outstanding loans increases, CCC goes to the United States Treasury Department and borrows enough money to meet its obligations to farmers. The Treasury lends the money out of funds on hand or goes into the market to raise it by its own borrowing. Congress has placed a limit on CCC's authority to borrow from the Treasury which currently stands at \$6.75 billion but would raise to \$8.5 billion in President Eisenhower's recommendations of January 11, 1954. This process has been going on for many years.

However, the Treasury was turned down last summer by Congress on its request for an increase in its own authority to borrow money, or increase the congressional ceiling on the public debt. As the Treasury got closer and closer to the ceiling, methods were devised for avoiding a rupture of the ceiling, including the new plan for "certificates of interest" in price support loans.

The CCC placed outstanding price support loans in a "pool" and sold certificates of interest in the pool to bankers, using the cash thus collected from bankers for making subsequent price support loans to farmers and thus avoiding a trip to the Treasury to borrow. Partly because of this release, the Treasury has avoided piercing the ceiling to date, for the "certificates of interest" are not considered part of the public debt.

NOTE.—This arrangement between the CCC and private banks is not to be confused with a program which has been operated for several years whereby the local banks which handle price support loans as fiscal agents for the CCC elect to hold the loan (and service it) in return for a payment of interest from the CCC. The new system is in addition to that one.

Secretary Benson has set up three pools for banker participation by purchase of "certificates of interest," as follows:

Date	Target amount	Interest rate	Oversubscription
		<i>Percent</i>	
Oct. 14, 1953.....	\$360,000,000	2½	\$1,790,304,000
Dec. 7, 1953.....	450,000,000	2¾	754,304,000
Jan. 15, 1954.....	350,000,000	2½	1,511,529,000
Total.....	1,160,000,000	-----	4,056,137,000

This is actually Government (CCC) borrowing from banks on short-term or "call" conditions. The very first announcement, on October 14, stated: "Certificates will mature on August 2, 1954, but will be purchased by the CCC prior to maturity upon demand."

However, the rate of interest paid by the CCC is considerably higher than the going rate on Treasury short-term borrowings and commercial "call money." The CCC is paying $2\frac{1}{4}$ and $2\frac{1}{2}$ percent, while the Treasury could have borrowed 91-day (short-term) money for $1\frac{1}{2}$ percent or less. (Commercial call money was about 2 percent at the time.)

The difference between the two rates represents added cost to the taxpayers. Assuming a Treasury rate of $1\frac{1}{2}$ percent, here is the approximate additional cost of each pool transaction:

Date	Target amount	Interest rate	Additional cost
		<i>Percent</i>	
Oct. 14, 1953	\$360,000,000	$2\frac{1}{2}$	\$3,600,000
Dec. 7, 1953	450,000,000	$2\frac{1}{4}$	3,400,000
Jan. 15, 1954	350,000,000	$2\frac{1}{4}$	2,187,500
Total			9,187,500

That this operation has cost the Government considerably more money is confirmed by the fact that the issues were very heavily oversubscribed, in spite of the interest rate having been reduced on each successive issue by the CCC.

It should also be noted that these interest rates are higher than the 2-percent rate which the Treasury charged the CCC for the last money it borrowed from the Treasury (\$5 million on October 1, 1953, for a 9-month note). These added costs will be charged in some way to the farm price-support program.

In addition, the operation caused an indirect increase of nearly \$100 million in the cost of Treasury financing. Because bankers were so attracted to the "certificates of interest" at the high rates, they stayed away from the regular Treasury issues of short-term bills, forcing the Treasury to raise the rates on those issues.

In the 2-week period ending October 14 (the date of the first CCC offer of \$360 million certificates) weekly reporting Federal Reserve member banks reduced their holdings of Treasury bills by \$304 million. The December 1953 Monthly Review of the Federal Reserve Bank of New York states: "The possibility that the CCC would soon offer another large amount of certificates of interest tended to depress the bill market. Average yields on the third and fourth issues of Treasury bills during the month, the issues dated November 19 and 27, were 1.433 percent, respectively."

Average annual interest rates on new issues of Treasury 91-day bills which had reached a low of 1.220 percent on October 29, climbed to 1.687 percent on the bills dated December 17. This represents an increase of almost one-half of 1 percent per annum in interest. The Treasury borrows \$1.5 billion every week through bill sales. An increase of one-half of 1 percent paid in refinancing the total of Treasury bills outstanding for 1 year would cost \$97.5 million.

Thus the total cost to the Government, and hence to the taxpayers, is—

Cost of higher interest paid on CCC pools	\$9,197,500
Annual cost of higher interest forced on Treasury	97,500,000
Total additional cost	106,687,500

In addition, it should be noted that the Administration raised interest rates on CCC price support loans to farmers last March from $3\frac{1}{2}$ to 4 percent, and gave to the banks who act as CCC fiscal agents all the benefit of the raise.

A serious matter of public policy is involved. There is great doubt that Congress or farm groups ever intended the CCC to engage in its own financing, such as it is doing by the "certificates of interest," and there are equally great doubts that it is advisable, aside from its extra cost to taxpayers.

Mr. PATMAN. So it hurts several ways. First, you are paying more interest, which is charged up to the farmer. No. 2, it is absorbing the local credit which the farmer would have access to at a reasonable rate, and causes the banks to be loaned up. No. 3, it causes the taxpayers

to have to pay in this case nearly a hundred million dollars more annually, whereas you only paid \$9 million more on the certificates of interest and on the discount bills.

So I want you to consider that, Mr. Secretary, if you will, in connection with this whole program.

Secretary BENSON. Would I understand from what you say that because the power of the Federal Government permits it to borrow money more cheaply, that it should go into the borrowing and loaning business and replace private industry?

Mr. PATMAN. This is a little different. The price-support program is almost a social program, because you are dealing with people who are not—no, it is not socialism—but, you see, you established the Board of Welfare, which is all right. You established that. We all believe in certain social ends, and in this case this Corporation was set up that way, and it was intended to go that way. I think all the discussions in the committees and on the floors of the two Houses will indicate that it was intended to go that way, that they borrow the money from the Treasury and extend loans to the farmers just like the majority leader, Mr. Halleck, said.

Secretary BENSON. Of course I think the Congress has wisely provided and required that the Corporation use private sources of credit wherever possible. I think there is safety in that.

It is a social problem, and sometimes it even approaches some form that we sometimes refer to as socialism. I think it is going too far in that direction, and I think the Congress provided that safeguard for a purpose, and we tried only to follow out the intent and direction which the Congress gave us.

Mr. PATMAN. I refer to it as a social program, not as a social problem. But it is bad for another reason. You see, the banks have several billion dollars belonging to the United States Government, on deposit, idle and unused. Most of that money they had there because they purchased Government bonds.

The CHAIRMAN. Just a minute, let us get the record straight. On just 1 day they had \$9 billion.

Mr. PATMAN. I will correct that and say \$5 billion or more. Will that suit you?

The CHAIRMAN. That will be a little better.

Mr. PATMAN. All right. Which cost the taxpayers from \$100 million to \$150 million a year in interest.

The CHAIRMAN. Will you yield again?

Mr. PATMAN. Surely.

The CHAIRMAN. The Government is getting some benefit on that and the benefit offsets any charge the Government would have to pay to the banks for the savings bond program, and I think we will all agree that the bond program is a successful one.

Mr. PATMAN. Well, I want to take issue with you, Mr. Chairman, on the first part of your statement, and I am ready to debate that with you at any time, but I want to say now that you are wrong.

You see, the Federal Reserve Act made the 12 Federal Reserve Banks the fiscal agents of this Government. That means that this money should not remain idle and unused in the banks, after they create the money on their books to buy the bonds, and they keep the bonds and draw interest on that, and keep the deposits, too. That

money should go right into the Federal Reserve Banks, and be subject to check. It is not subject to check in these 11,000 banks.

The CHAIRMAN. Mr. Patman, it is subject to check by the Federal Government, on demand at any time. It is on credit to the banks through the Federal Government.

Mr. PATMAN. Let us get our definitions straight. To the extent that they can call on these banks to call that money in, you are correct. But when I say checking, I mean in the literal sense of the word, to check it.

The CHAIRMAN. What is the difference between a check or a draft? The Government can write a draft on any bank for the amount.

Mr. PATMAN. They don't do that.

The CHAIRMAN. They did it just the other day to keep from going over the bank limit.

Mr. PATMAN. They just asked the banks to turn in a certain percentage of what they had. That is not unusual. That is tradition.

The CHAIRMAN. There is a difference.

Mr. PATMAN. No, that is not different. I say this money is in these banks idle and unused, and is not subject to be checked by the Secretary of the Treasury or the Treasurer of the United States. Only when it is called in, when there is something to be done, there is another step to be made. After it is called in to the Federal Reserve Banks then they can check on it, and not until then.

So I submit, Mr. Secretary, that if you had insisted on the Secretary of the Treasury pulling in some of this money that was idle and unused, into the Federal Reserve Banks, and used it, you could have gotten the money from him and wouldn't have been compelled to raise your rate and make it hard on local people and then make it harder still on the taxpayers by going into competition for short-term certificate and bill sales and increasing interest charges.

Secretary BENSON. Of course, it has been the policy, Mr. Patman, through the years, of the Department of Agriculture to rely on the guidance of the Treasury on these matters.

Mr. PATMAN. I know that and I think the guidance has been poor. I wouldn't attack Mr. Humphrey personally. He is trying to do a good job, and I know he is a fine outstanding American. I have nothing to say against him personally, but I think he is doing a brutal job on Government financing. I think that was an awful boner on that 3¼ percent bond issue. And I think he will have to admit himself—in fact, Mr. Martin, the Chairman of the Federal Reserve, said they made a miscalculation, and that was an understatement.

Secretary BENSON. The council of the Treasury, of course, in this case of the use of local lending agencies, has been the same through the years since 1941. So this is not a change in policy.

Mr. PATMAN. I have only one or two other questions.

You mentioned the fact that the turkeys-and-broilers people didn't want you to go into the market when the price went low. I guess the idea was to teach a lesson to the people in the business not to produce so much, is that it?

Mr. MORSE. You always draw into operations inefficient people, and it is a question of whether you are going to subsidize them to stay in the business or whether you are going to let the adjustments take place that would take place otherwise.

Mr. PATMAN. That will really get them out.

MR. MORSE. Do you think they ought to be kept in?

MR. PATMAN. Yes, sir; I think they ought to be kept in. You see we have such a pursuit or a way to make a living as a mode of life in this country. Most of the farmers are engaged not in a business or occupation, they are engaged in a mode of life.

MR. MORSE. Do you think that the doctors, dentists, and other nonfarm people that went into the beef-cattle business and the broiler business and the turkey business, the inefficient high-cost operators, ought to be kept in?

MR. PATMAN. I wouldn't subsidize them to keep them in, but I wouldn't be vindictive and squeeze them out. I know that the big cattlemen in this country, a lot of them, look with great favor on the doctors, dentists, and barbers, and the rest of them, being squeezed out of the cattle business. You see many of them borrowed their way into the business. The big ranchers grew their way into the business, and many of them are seeing the little fellows squeezed out with a great deal of pleasure and satisfaction, because they don't consider, just as you said, that they should ever have been in there in the first place.

I don't think that policy is a good one, and I am going to protest against it, and I am afraid, Mr. Morse, that it is the expression which you made which has led people to believe that you want to squeeze out about 2 million farmers in this country.

MR. MORSE. Now, wait a minute, let us get our record straight here. I am not talking about the little farmer. I am talking about the big operator and speculators.

MR. PATMAN. Well, do you mean to squeeze out the big ones?

MR. MORSE. Where do you get your inefficiencies?

MR. PATMAN. Well, of course, the inefficiencies, I guess, would be among the small farmers, because they are engaged in a mode of living. In other words, there is where most of the big men and big women of the Nation come from, from this farming where they were just able to eke out an existence, and were able to send their kids to school, had them take advantage of an education but they were just poor people. But they shouldn't be squeezed out because of their mode of life, farming.

MR. MORSE. I quite agree that bona fide farmers ought to be kept on the land and their efficiency increased. I was making reference to the people who came in, and who do—we see them regularly—come into the agricultural field, as a place to make additional money, to speculate, and as a result the practical farmers, that are in the business—it is the only business they have—get thrown into these price situations which they do not create themselves. I am saying we should not keep that kind of competition in existence against the farmer.

MR. PATMAN. I am glad to have your clarification of it, Mr. Morse, although I do not agree with the policy you have outlined. It is too much like applying the slide rule and stop watch to determine efficiency.

One other point and I will be through. Under the law, if this surplus of cotton reaches 30 percent above the normal supply, the Secretary is authorized to lower the parity support price, is he not?

MR. MORSE. Not under the current law.

MR. PATMAN. Not under the current law?

Mr. MORSE. No, price support is mandatory at 90 percent of parity on the 1954 crop.

Mr. PATMAN. Clear on through?

Mr. MORSE. Yes, sir.

Mr. PATMAN. Regardless of the amount?

Mr. MORSE. Through the 1954 crop. We have no choice. Until after the 1954 crop, the support level is fixed at 90 percent.

Mr. PATMAN. I am glad to know that. I was thinking it was effective this year. But after this year, unless the law is changed, it will be effective.

Mr. MORSE. That is right, price-support on the 1954 crops of basic commodities is mandatory at 90 percent.

Mr. PATMAN. In 1955, if the law is not changed, if the Secretary declares that there is more than a 30-percent surplus in addition to the normal supply, you could reduce the parity support price to 75 percent, couldn't you?

Mr. MORSE. Well, it would be flexible, according to formulas that are in the law, and there is a different pattern for cotton than for other crops.

Mr. PATMAN. Thank you, Mr. Chairman.

Mr. RAINS. Mr. Chairman, will we have another opportunity to interrogate the Secretary?

The CHAIRMAN. I have asked the Secretary and his staff whether it would be convenient for them to be back tomorrow morning. We have tomorrow morning only one scheduled witness, the National Grange, so if it is convenient for the Secretary and his staff I think it would be rather imperative that they come back tomorrow, because there are a good many members of the committee who have not had an opportunity to ask questions this morning.

Secretary BENSON. I am sure we can make an adjustment so we can be back. At least a good part of us can be back. We would like to come.

Mr. OAKMAN. I wonder if we could ask the Secretary, Mr. Chairman, if Mr. Wheeler tomorrow could give us a composite report of the Department, which he started to do. We have just covered the losses of the CCC itself, regarding which it was stated the loss to be approximately \$1¼ billion over the 20-year period. That only tells a portion of the picture, and I personally would like to hear the composite cost to the taxpayers of the operations of the entire Department.

The CHAIRMAN. That is available.

Secretary BENSON. We have the information and will be glad to present it.

Mr. RAINS. Mr. Chairman, I am very grateful to you and to the Secretary because we are addressing ourselves to a real problem. I appreciate it.

The CHAIRMAN. May I announce what I hope will be the immediate program of the committee. We may devote, I believe, 3 days, today, tomorrow, and Monday, to this bill, in the hope that we may go into executive session, contingent, of course, upon the progress we make, on Monday afternoon, on this bill, and begin hearings on the housing bill definitely Tuesday morning. All of you who have not had opportunity to look at the housing bill might look it over. There is a section-by-section analysis available by the staff, which will be very helpful, and the staff will keep themselves in readiness to assist any

member with further explanations on the bill before we go into hearings.

That is the program that I hope we will be able to follow. We would like to finish the hearings on this bill and report on the bill Monday afternoon and begin the housing hearings on Tuesday.

We are very grateful to you, and to your staff, Mr. Secretary, and we will appreciate it very much if you will return tomorrow morning at 10 o'clock.

The committee will stand in recess until tomorrow morning at 10 o'clock.

(Whereupon, at 12:15 p. m., the committee adjourned.)

INCREASE BORROWING POWER OF COMMODITY CREDIT CORPORATION

THURSDAY, FEBRUARY 26, 1954

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met at 10 a. m., the Honorable Jesse P. Wolcott, chairman, presiding.

Present: Chairman Wolcott (presiding), Messrs. Talle, Kilburn, Widnall, Betts, George, Mumma, McVey, Merrill, Oakman, Van Pelt, Spence, Brown, Patman, Multer, Deane, Hays, O'Hara, and McCarthy.

The CHAIRMAN. The committee will come to order.

We will resume hearings on the pending bill.

Mr. PATMAN. Mr. Chairman, I would like to clarify my discussion with the Secretary yesterday. I am afraid we were misunderstood.

What I was talking about were these certificates of interest being sold to the banks. I am not talking about, and not objecting to, the farmers getting loans from local banks where they are serviced there and kept there locally. That is perfectly all right. I am only objecting to the certificates of interest, where they formerly got the money from the Treasury, but are now splitting the pool up into certificates of interest and selling them to the banks over the country, and not related to applications for loans by the farmers locally. I want to make that plain.

The CHAIRMAN. The Secretary is not able to be with us until a little later this morning. We have Mr. Morse, and the other members of the staff of the Secretary back with us, and I think if it is agreeable we will proceed. The Secretary will be back with us in a few minutes, I understand.

So, without objection, we will proceed with the questioning of Mr. Morse.

STATEMENT OF HON. EZRA TAFT BENSON, SECRETARY OF AGRICULTURE, ACCOMPANIED BY HON. TRUE D. MORSE, UNDER SECRETARY OF AGRICULTURE; HON. ROSS RIZLEY, ASSISTANT SECRETARY OF AGRICULTURE; JOSEPH C. WHEELER, DIRECTOR OF FINANCE, DEPARTMENT OF AGRICULTURE; GEORGE S. COOPER, CHIEF, COMMODITY CREDIT DIVISION, OFFICE OF THE SOLICITOR; J. A. McCONNELL, VICE PRESIDENT, COMMODITY CREDIT CORPORATION; ROBERT BEACH, BUDGET OFFICER, COMMODITY CREDIT CORPORATION; AND PRESTON RICHARDS, DEPUTY ADMINISTRATOR, PRICE SUPPORT, COMMODITY STABILIZATION SERVICE—Continued

The CHAIRMAN. I believe Mr. Morse is conscious of the fact that yesterday the committee members had asked for some information. I understand Mr. Wheeler will supply it. I think this might be the proper time to do it.

Mr. MORSE. Yes, sir. Mr. Chairman, Mr. Wheeler is Director of our Budget and Finance Department, and he has some records here that we feel it would be important to put in.

Mr. WHEELER. Mr. Chairman, and members of the committee, there is being passed out to you a statement which I would like to explain briefly while it is being distributed.

The statement is titled "Realized Cost of Agricultural and Related Programs, by Function or Purpose, Fiscal Years 1932-53."

It covers the net cost of all the programs of the Department over a 22-year period.

Prior to the development of this statement, the Department, of course, for many years has reported on obligations and expenditures and official transactions of the corporations or lending agencies, and on receipts arising from the Department programs, and so forth. But we had never developed a common denominator which would enable us to put the various elements of expenses and receipts together, and arrive at a net realized cost for each of the programs of the Department.

In this statement we have used as a common denominator the net realized cost of each program on the basis described in the heading of the table. For example, in the case of activities that are financed from appropriations—and, of course, most of our programs are financed in this manner—the costs, as reported on this statement, represent actual expenditures, offset by receipts arising out of those activities.

For corporate activities, such as Commodity Credit Corporation, and crop insurance, we have used as the measure of costs the net against or losses actually realized from the operations of the Corporation, plus the interest cost to the Government on Government-subscribed capital.

In the lending activities, such as REA and FHA, we have reported as costs only the actual writeoffs, that is losses on loans, plus the net interest cost or income. Here we have computed the interest costs on outstanding loans each year, using the rate paid by the Government on money borrowed that year, and we have in turn offset that with cash represented by actual collections of interest.

I would like to emphasize that the realized cost as used in the statement means the net cost which has actually been incurred to date. It does not include income earned but not collected, nor expenses incurred but not yet paid. Realized cost is not synonymous with expenditures, since expenditures may include loans made, and other investments, and also do not include offsetting receipts.

A statement showing expenditures alone would, of course, reflect a higher total.

The statement has been developed on a completely factual and objective basis, to provide the facts concerning the realized cost of agricultural programs. Our purpose in preparing this statement was to make available this factual data for the benefit of the many persons and organizations interested in the work of the Department.

In the Department we have felt the need for a statement of this type, which we could use to answer inquiries from the public at large concerning the net cost of agricultural programs. This statement has already proved to be very helpful in that regard.

There have been numerous and conflicting stories in the press recently dealing with the costs of agricultural programs and giving

various figures. This is caused, I think, by the lack of common understanding of what the programs are and what their costs have been. We hope that this statement, which lists each program separately, and shows its costs, will make it possible for anyone who wants them to get the actual facts on costs for any particular program, or for the Department as a whole.

Now, I would like to just briefly go over the statement with you. You will notice that each of the years 1932 through 1953 are listed separately across the top, with the cumulative total on the right hand side.

Down the left hand side we have listed all of the programs of the Department broken down into major categories. The first category is "Programs primarily for stabilization of prices and farm income," and the first entry under that category is Commodity Credit Corporation.

You will notice that opposite the entry "price-support programs," is shown the cumulative figure of \$1,110.1 million in the upper right-hand corner. That figure represents as of last June 30 the net realized cost of price-support programs of the Commodity Credit Corporation.

It is the same figure that we had supplied for the record yesterday, except that the figure given yesterday was as of December 31, 1953, a total of \$1.226 billion, whereas the figure on this table is as of June 30, 1953.

Now, following down the table, still in the first category, are the supply and foreign purchase programs of CCC, the administrative and other general costs of the CCC, then the International Wheat Agreement, removal of surplus agricultural commodities, sugar act, crop insurance, acreage allotment payments under the ACP program in the late thirties, and early forties, and other programs such as parity payments and the AAA Act of 1933, arriving at a total for the category of programs primarily for stabilization of prices and farm income of \$7,510,400,000.

The table reflects other categories, as follows: "Programs primarily for conservation," which includes ACP conservation programs, Soil Conservation Service, Forestry Service, flood prevention, "credit and related programs on electrification, farm loans," then a category for "research and education," then a category for "other items, principally school lunch, marketing services, control and regulatory activities," and, the final category, "programs primarily for wartime, defense, and other special needs."

The total of all of those programs for the Department of Agriculture is \$16.9 billion for the 22-year period.

Then we have listed separately, near the bottom of the table, several other categories of related expenses, but not expenses chargeable to the Department of Agriculture, such as the "wartime consumer subsidies," part of which were financed by CCC and part of which were financed by RFC, and, finally, clear at the bottom, listed separately, certain special activities which other agencies requested the Department of Agriculture to carry out but which were not primarily Department of Agriculture programs, such as the purchases, under lend-lease, UNRRA, Mutual Security, and the like.

Now, since the time this table was prepared we have been requested, and have just completed the first category, for "programs primarily for stabilization of prices and farm income," a breakdown by commodities.

I have that statement here. I don't know whether you want to take the time to go over it. I would be glad to furnish it for the record. I believe that completes my general statement.

If there are any questions I would be glad to answer them.

The CHAIRMAN. Without objection, that statement may go into the record.

(The statement referred to is as follows:)

Realized cost of agricultural and related programs, by function or purpose, fiscal years 1932-53

[The basis for the costs reflected in this table is as follows: (1) For activities financed from appropriated funds, the expenditures less receipts arising from the activities so financed; (2) for noncorporate loan funds, the losses on loans and the net interest cost or income; (3) for Commodity Credit Corporation and Federal Crop Insurance Corporation corporate funds, the net gains or losses from operations and the interest cost to Treasury on Government-subscribed capital; and (4) for corporations of the Farm Credit System, the interest cost to Treasury on Government-subscribed capital and payments made by Treasury on account of reductions in interest rates on mortgages less dividends and franchise taxes paid to Treasury. Interest cost to Treasury on noncorporate loan funds and on Government-subscribed capital of corporations has been computed on the basis of the average rate on the public debt paid by Treasury in each of these years.]

[Millions of dollars]

	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943
Programs primarily for stabilization of prices and farm income:												
Commodity Credit Corporation:												
Program operations:												
Price-support programs:					8.7	5.3	0.4	4.6	7.4	34.0	169.1	149.9
Supply, foreign, purchase, commodity export, and other CCC activities			10.6	10.9	11.7	3.9	2.1	13.0	8.7	2.2	1.1	2.0
Administrative and other general costs											19.6	12.1
International Wheat Agreement ²					32.2	35.2	35.2	21.6	143.9	226.1	196.3	112.0
Removal of surplus agricultural commodities ³							127.4	16.5	125.2	130.0	132.7	1.6
Sugar Act								4.4	7.7	9.8	14.8	14.6
Federal crop insurance												
Average allotment payments under the agricultural conservation program						313.6	217.4	350.7	380.2	326.7	332.5	218.1
Other, including Agricultural Adjustment Act of 1933, parity payments, and other adjustment and surplus removal programs	297.8	75.1	148.2	179.6	417.3	84.9	1.5	28.0	224.1	197.2	202.7	203.7
Total	297.8	75.1	148.8	178.7	469.9	442.9	227.2	589.8	746.8	766.0	634.8	512.0
Programs primarily for conservation of resources:												
Agricultural conservation program (exclusive of average allotment payments)					.5	55.1	88.8	119.8	202.0	132.7	136.6	212.0
Soil Conservation Service programs ⁴	.2	.2	.1	.2	3.5	21.0	24.2	25.7	30.9	23.0	23.4	23.4
Forest Service programs ⁵	19.6	12.2	6.8	8.3	9.5	14.2	17.9	21.4	24.3	18.9	17.8	18.5
Flood prevention program		.3					.3	1.4	2.3	2.9	1.5	.4
Total	19.8	12.4	6.9	8.5	13.5	90.3	131.2	168.3	259.5	177.5	179.3	254.3

See footnotes at end of table.

Realized cost of agricultural and related programs, by function or purpose, fiscal years 1932-53—Continued

	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943
Credit and related programs for electrification and telephone facilities, and farm purchase, maintenance, operation, and housing:												
Lending programs:												
Rural Electrification Administration						.2	.7	1.3		2.5	1.0	1.9
Farmers' Home Administration	13.7	13.2	13.7	14.5	9.5	14.5	12.2	17.7	11.4	9.3	7.1	1.3
Farm Credit System	5.4	6.5	22.3	33.5	49.9	55.2	60.0	61.1	58.5	51.5	50.9	48.1
Grants and other expenses, including salaries and expenses related to the above lending programs	4.9	6.6	9.1	12.7	77.3	157.7	110.8	72.5	72.9	69.8	67.3	51.3
Total	24.0	26.3	45.1	60.7	136.7	227.6	183.7	152.6	142.8	133.1	126.3	97.2
Research and education:												
Research	20.6	18.1	15.3	15.6	18.4	20.9	22.6	25.7	30.2	31.2	31.6	30.9
Extension Service, including payments to States	10.1	9.9	9.4	9.3	17.4	17.0	17.9	18.5	19.2	19.2	19.5	19.5
Total	30.7	28.0	24.7	24.9	35.8	37.9	40.5	44.2	49.4	50.4	51.1	50.4
Other, chiefly school lunch, marketing services, control and regulatory activities:												
School lunch program												
Other	23.9	22.2	18.0	37.1	41.5	34.7	35.6	33.7	32.8	30.9	31.1	1.0
Total	23.9	22.2	18.0	37.1	41.5	34.7	35.6	33.7	32.8	30.9	31.1	31.0
Programs primarily for wartime, defense, and other special needs												
Total											5.3	14.1
Wartime consumer subsidies on agricultural commodities:												
Paid by Commodity Credit Corporation	396.2	164.0	45.9	309.9	697.4	833.4	618.2	988.6	1,231.3	1,157.9	1,027.9	960.0
Paid by Reconstruction Finance Corporation												
Total												
Other special activities not a part of the agricultural programs of the Department:												
Special activities conducted by the Department under transferred funds as a service for other agencies (chiefly for purchase of commodities for lend-lease, UNRRA, mutual security and other foreign aid programs)	2.1	3.1	32.1	161.8	72.3	64.0	26.1	30.0	20.6	20.9	698.4	2,031.2
Government procurement of agricultural commodities for foreign aid programs other than through the Department of Agriculture												
Total	2.1	3.1	32.1	161.8	72.3	64.0	26.1	30.0	20.6	20.9	698.4	2,031.2

	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	Total
Programs primarily for stabilization of prices and farm income:											
Commodity Credit Corporation:											
Program operations:											
Price-support programs:	15.9	29.4	130.1	71.9	125.4	254.7	249.2	345.6	67.4	61.1	1,110.1
Supply, foreign purchase, commodity export, and other CCC activities:	12.4	5.8	135.9	1242.7	138.4	14.7	12.7	1.6	1.3	6.4	1319.8
Administrative and other general costs:	10.4	26.1	33.2	13.9	16.5	15.9	48.1	42.0	34.6	55.3	299.6
International Wheat Agreement:											558.1
Removal of surplus agricultural commodities:	63.4	24.9	19.2	78.4	51.2	75.6	96.6	46.0	171.3	82.3	1,587.6
Sugar Act:	121.3	132.9	15.2	17.4	113.1	123.3	114.5	114.8	121.8	119.4	1,296.1
Federal crop insurance:	18.1	2.9	21.5	36.9	1.8	1.4	9.6	4.6	8.7	6.4	157.8
Acreage allotment payments under the agricultural conservation program:	183.1		22.5								2,354.8
Other, including Agricultural Adjustment Act of 1933, parity payments, and other adjustment and surplus removal programs:	156.7	16.1	11.5	12.2		10.9	25.0	18.9	7.2	7.7	2,078.3
Total:	402.1	50.1	23.7	151.2	116.8	328.7	486.9	624.3	306.2	330.6	7,510.4
Programs primarily for conservation of resources:											
Agricultural conservation program (exclusive of acreage allotment payments):	226.6	278.9	275.3	329.2	230.6	167.6	237.2	275.5	262.0	270.3	3,500.7
Soil Conservation Service programs:	25.1	28.2	34.6	43.1	41.3	47.9	52.8	52.1	56.0	59.6	616.5
Forest Service programs:	18.3	21.0	28.0	36.4	37.7	33.8	33.5	9.8	7.6	6.2	421.7
Flood prevention program:	.1	.1	.6	2.6	3.8	5.9	6.7	7.5	7.8	6.3	50.2
Total:	270.1	328.2	338.5	411.3	313.4	255.2	330.2	344.9	333.4	342.4	4,589.1
Credit and related programs for electrification and telephone facilities, and farm purchase, maintenance, operation, and housing:											
Lending programs:											
Rural Electrification Administration:	14.4	11.9	1.9	2.5	6.5	9.7	14.4	20.2	23.2	26.7	98.8
Farmers' Home Administration:	19.8	17.6	12.6	14.9	14.6	14.8	13.2	15.4	15.3	15.1	83.2
Farm Credit System:	43.2	18.1	9.4	7.3	7.0	1752.3	111.2	18.0	17.8	12.6	506.0
Grants and other expenses, including salaries and expenses related to the above lending programs:	39.8	36.0	37.6	42.5	26.4	29.0	33.8	35.4	37.1	36.8	1,067.3
Total:	68.8	44.6	43.5	47.4	35.3	118.4	33.8	42.2	47.2	55.8	1,756.3

See footnotes at end of table.

INCREASE BORROWING POWER OF CCC

Realized cost of agricultural and related programs, by function or purpose, fiscal years 1932-53—Continued

	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	Total
Research and education:											
Research.....	28.2	29.7	31.6	37.1	42.4	52.6	56.8	55.2	54.8	55.2	724.7
Extension Service, including payments to States.....	19.5	19.4	23.9	27.4	27.2	31.1	32.1	32.3	32.6	32.6	465.0
Total.....	47.7	49.1	55.5	64.5	69.6	83.7	88.9	87.5	87.4	87.8	1,189.7
Other, chiefly school lunch, marketing services, control and regulatory activities:											
School lunch program ⁶	33.7	45.4	56.6	77.5	68.4	75.0	83.2	82.8	83.6	82.8	690.0
Other.....	35.8	36.3	40.3	48.5	40.5	48.1	52.8	55.2	53.9	57.4	841.3
Total.....	69.5	81.7	96.9	126.0	108.9	123.1	136.0	138.0	137.5	140.2	1,531.3
Programs primarily for wartime, defense, and other special needs.....	73.8	54.7	31.1	31.3	41.3	45.9	31.5	1.6	8.2	5.4	344.2
Total, above items.....	932.0	608.4	589.2	629.3	685.3	818.2	1,107.3	1,238.5	919.9	962.2	16,921.0
Wartime consumer subsidies on agricultural commodities:											
Paid by Commodity Credit Corporation.....	390.1	741.7	845.1	122.4	14.0	12.2	.1	.3	1.3	1.1	2,102.1
Paid by Reconstruction Finance Corporation.....	570.4	626.3	924.8	13.0	.1	-----	-----	-----	-----	-----	2,142.9
Total.....	960.5	1,368.0	1,769.9	125.4	13.9	12.2	.1	.3	1.3	1.1	4,245.0
Other special activities not a part of the agricultural programs of the Department:											
Special activities conducted by the Department under transferred funds as a service for other agencies (chiefly for purchase of commodities for long-lease, UNRRA, mutual security and other foreign aid programs).....	2,139.9	1,382.1	1,610.8	579.1	744.6	1,018.4	611.4	447.6	331.8	118.7	12,147.0
Government procurement of agricultural commodities for foreign aid programs other than through the Department of Agriculture.....						1,425.9	1,236.3	741.8	312.4	351.3	4,067.7
Total.....	2,139.9	1,382.1	1,610.8	579.1	744.6	2,444.3	1,847.7	1,189.4	644.2	470.0	16,214.7

¹ Excess of credits, deducted.² The expenditures under this program are for payment of the difference between the price specified in the International Wheat Agreement and the domestic market price of wheat. The program is essentially international in nature, and is included in this classification with the kinds of items to which it most nearly relates.³ Exclusive of cash payments for school lunch programs.⁴ The amounts shown include the purchase of 9,643,738 acres of submarginal land at a total cost of approximately \$80,061,000.⁵ The amounts shown include the purchase of 14,450,711 acres of land at a total cost of approximately \$68,532,000.⁶ Includes costs under the National School Lunch Act and sec. 32 funds used for cash payments for school lunch programs.⁷ Includes \$9.3 million representing the cumulative net loss of capital subscribed to the Regional Agricultural Credit Corporations which were liquidated in 1949.

RELATIONSHIP OF REALIZED COSTS TO STATEMENTS OF ACCRUED INCOME AND EXPENSES FOR NONCORPORATE LENDING PROGRAMS

The financial aspects of the noneorporate lending programs of the Rural Electrification Administration and the Farmers' Home Administration, which are reported on this statement on a realized cost basis, are also susceptible of being reported on an accrued income and expense basis. Records for these programs are maintained and reports are made on the accrued basis pursuant to regulations covering business-type Government operations. To illustrate the differences involved in these two concepts the following tabulation, using the REA as an example, shows the results, from the beginning of the REA programs through the fiscal year 1953, on the accrual basis compared with the realized costs reflected in this statement.

Lending operations of REA from inception to June 30, 1953

[Millions of dollars]

	Accrued income and expense basis	Net realized cost basis
Interest income.....	234.0	150.9
Expense:		
Interest expense.....	185.9	250.7
Provision for possible losses on loans.....	2.5	-----
Net income.....	45.5	-----
Net expense.....	-----	99.8

The principal differences in the two bases are as follows:

(1) *Interest income*.—The accrual basis includes interest earned but not collected. A substantial part of the difference is due to the inclusion on the accrual basis of interest deferred under the law during the first 5 years of a loan but properly accounted for as accrued interest earned although it is not due or payable. The realized cost basis includes actual collections of interest.

(2) *Interest expense*.—The accrual basis includes only the interest actually charged to REA on funds borrowed from RFC (in the earlier years) and from the Treasury, under borrowing authorizations provided by Congress. The realized cost basis includes as interest expense the amount resulting from applying to the average total of loans outstanding in each year the average interest rate paid by the Government for the funds it borrowed in that year.

(3) *Provision for possible losses on loans*.—The accrual basis includes projected or anticipated losses based on the best estimate that could be made at the end of the fiscal year 1953. The realized cost basis, which takes into account only those costs that have actually come about, does not include any anticipated losses on loans.

MR. MORSE. I would think, Mr. Chairman, it would help the record if the other table Mr. Wheeler referred to, which does break it down by commodities, were inserted in the record.

THE CHAIRMAN. Without objection, that will be inserted in the record.

(The statement referred to is as follows:)

Appendix to table of "Realized cost of agricultural and related programs, by function or purpose, fiscal years 1932-53"—summary of realized cost of agricultural programs primarily for stabilization of prices and farm income, showing distribution of cost by commodity groups¹

[Millions of dollars]

	Total	Commodity Credit Corporation				International Wheat Agreement	Removal of surplus agricultural commodities ²	Sugar Act	Federal crop insurance
		Price support programs	Supply, foreign purchase, commodity export, and other CCC activities	Administrative and other general costs	Total				
Basic commodities:									
Corn (including cornmeal and AAA corn-hog program):									
Program expense.....	1,375.8	70.9			70.9		18.4		0.4
Miscellaneous receipts.....	6.6								
Processing taxes (net).....	6261.4								
Total, corn.....	1,113.8	70.9			70.9		18.4		.4
Cotton:									
CCC price support:									
Upland cotton.....	6268.2	6268.2			6268.2				
Puerto Rican cotton.....	.1	.1			.1				
Cotton export differential.....	41.4	41.4			41.4				
Cotton-rubber barter.....	611.1	611.1			611.1				
Total, CCC price support.....	6237.8	6237.7			6237.8				
Other cotton programs:									
Program expense.....	2,059.4		712.5		12.5		6348.9		67.8
Miscellaneous receipts.....	69.5								
Processing taxes (net).....	6247.2								
Total, cotton.....	1,564.9	6237.8	12.5		6225.3		348.9		67.8
Peanuts:									
Program expense.....	142.9	92.6			92.6		26.8		
Miscellaneous receipts.....	61.3								
Processing taxes (net).....	63.7								
Total, peanuts.....	137.9	92.6			92.6		26.8		
Rice:									
Program expense.....	35.4	1.5			1.5		6.6		
Processing taxes (net).....	.5								
Total, rice.....	35.9	1.5			1.5		6.6		
Tobacco:									
Program expense.....	186.4	61.6			61.6		18.1		63.0
Miscellaneous receipts.....	623.3								
Processing taxes (net).....	668.5								
Total, tobacco.....	91.6	61.6			61.6		18.1		63.0
Wheat (including wheat cereal and wheat flour):									
Program expense.....	1,981.9	95.1	71.2		96.3	546.5	133.2		1.8
Miscellaneous receipts.....	615.4								

Appendix to table of "Realized cost of agricultural and related programs, by function or purpose, fiscal years 1932-53"—summary of realized cost of agricultural programs primarily for stabilization of prices and farm income, showing distribution of cost by commodity groups 1—Con.

	Acreage allotment payments under the agricultural conservation program	Agricultural production programs (principally acreage allotments and marketing quotas) ³	Parity payments	Retirement of cotton pool participation certificates	Agricultural Adjustment Act of 1933 and related acts	Removal of surplus cattle and dairy products ⁴	Agricultural Marketing Act revolving fund and payments to stabilization corporations for losses incurred ⁵	Other
Basic commodities:								
Corn (including cornmeal and AAA corn-hog program):								
Program expense.....	441.0	8.9	347.5		488.7			
Miscellaneous receipts.....					6.6			
Processing taxes (net).....					\$ 261.4			
Total, corn.....	441.0	8.9	347.5		226.7			
Cotton:								
CCC price support:								
Upland cotton.....								
Puerto Rican cotton.....								
Cotton export differential.....								
Cotton-rubber barter.....								
Total, CCC price support.....								
Other cotton programs:								
Program expense.....	771.2	21.1	279.7	1.3	416.7		140.2	
Miscellaneous receipts.....		67.7			61.8			
Processing taxes (net).....					\$ 247.2			
Total, cotton.....	771.2	13.4	279.7	1.3	167.7		140.2	
Peanuts:								
Program expense.....	6.2	13.6			3.7			
Miscellaneous receipts.....		61.3			63.7			
Processing taxes (net).....								
Total, peanuts.....	6.2	12.3						
Rice:								
Program expense.....	11.7	.4	5.6		9.6			
Processing taxes (net).....					.5			
Total, rice.....	11.7	.4	5.6		10.1			
Tobacco:								
Program expense.....	85.0	19.8	6.1		62.0			
Miscellaneous receipts.....		621.2			62.1			
Processing taxes (net).....					683.5			
Total, tobacco.....	85.0	61.4	6.1		68.6			
Wheat (including wheat cereal and wheat flour):								
Program expense.....	351.2	22.0	328.2		354.6		148.1	
Miscellaneous receipts.....		615.4						

NOTE.—Details may not add to totals shown due to rounding.

¹ The distribution by commodities is necessarily estimated in most instances since accounting records were not required to be maintained on an individual-commodity basis.

² Exclusive of cash payments for school lunch programs.

³ The amounts indicated hereunder are principally for salaries and expenses for fiscal years 1947 to 1953 in connection with acreage allotments and marketing quotas on the commodities shown. Prior to 1947, such work was handled as a part of the agricultural conservation program, and administrative expenses for this work were not maintained separately from administrative expenses of the agricultural conservation program. Accordingly, amounts for acreage allotments and marketing quotas for 1946 and prior years are not included in this statement.

⁴ Program conducted under the Jones-Connally Act.

⁵ Represents principally losses incurred on loans made from the revolving fund by the Federal Farm Board to stabilize the prices of wheat and cotton. A large portion of such losses resulted from donations authorized by Congress to the American Red Cross without reimbursement to the fund, of wheat and cotton acquired in stabilization operations.

⁶ Represents income or minus expenditures.

⁷ Represents cost of commodity export program on cotton and wheat exclusive of export differential on cotton owned or pooled by CCC.

⁸ Includes \$163.2 million for cotton price adjustment.

⁹ Includes \$163.2 million cost applicable to the cotton price adjustment programs and \$30.5 million in incentive payments under the 1943 ACP program. An item of \$12.1 million of program cost, which cannot be allocated to individual commodities, is included in "Other costs not allocable to specific commodities" below.

¹⁰ Interest computed for each year on the basis of the average rate on the public debt paid by Treasury in that year.

¹¹ Consists of administrative expenses and other general costs or income not distributable by specific commodities.

¹² Includes charged-off accounts and notes receivable of \$1.8 million and the net realized gain on the supply and foreign purchase programs which are identifiable by broad com-

modity groupings as follows:

Supply:	Millions
Cotton and linters.....	^a \$1.9
Grains and seeds.....	^a 76.0
Oils (bulk).....	^a .9
Tobacco.....	^a 4.8
General commodities purchase.....	^a 185.8
Processed and packaged commodities.....	^a 39.1
Other.....	3.4
Total.....	^a 305.1
Foreign purchase:	
Cotton.....	^a 5.9
Fats and oils.....	^a 38.9
Foodstuffs.....	^a 5.7
Other.....	.2
Total.....	^a 50.3
^a Represents income or minus expenditures.	

These programs were separate from the major activity of the Corporation and were undertaken as a means of supplying the requirements of Government agencies, foreign governments, and relief and rehabilitation agencies, and to meet domestic requirements. The gain of \$185.8 million under general commodities purchase resulted from the establishment of sales prices at a level which would prevent losses to the Corporation on the supplying of commodities and products thereof to meet the requirements of the United States armed services, lend-lease participants, foreign governments, relief agencies, etc., during World War II.

¹³ No administrative or other general costs are included for these acreage allotment payments. The program was conducted as a part of the agricultural conservation program and records of administrative and other nonpayment costs were not maintained separately for acreage allotment payments as distinguished from payments for conservation practices.

¹⁴ Represents activities to assure production of crops in short supply and assistance to farmers in obtaining equipment and materials necessary to achieve the production required by the Korean mobilization.

¹⁵ Represents receipts from liquidation of the Federal Surplus Commodities Corporation.

Mr. WIDNALL. Mr. Morse, where are the warehousing and storing costs included in these tables? Are they broken down at all?

Mr. BEACH. The warehousing and storage costs would be included in the investment in inventory during the period that the commodities are in inventory. When the commodities are disposed of, they are included in the realized gain or loss on sales, and therefore would be included in the figure of \$1,110 million.

Mr. WIDNALL. Do you have any figures at the present time to indicate how much per year it is costing us to store this surplus?

Mr. BEACH. Between \$475,000 and \$500,000 a day, is the best estimate we are able to make.

Mr. BROWN. Doesn't the producer pay that cost?

Mr. MORSE. The figure we have been using is about half a million dollars per day, about \$14 million a month.

Mr. WIDNALL. I wish you would explain to me just how that storage is handled. Is that cost paid by the producer, as Mr. Brown says, or is it paid by the Government?

Mr. MORSE. The producer pays the shortage cost only if the commodity is redeemed. If he redeems the commodity before the title passes to the Government he would pick up the storage costs. Otherwise, of course, it becomes part of the cost of the commodity to the Government.

Mr. WIDNALL. Well, at the present time it is costing us about \$6 million a year to store; is that right?

Mr. BEACH. That, sir, relates only to the commodities that are in inventory, where CCC has actually taken title to the commodities and owns them.

Mr. WIDNALL. Is the Government paying out other storage costs?

Mr. BEACH. No; except in the case of cotton under loan, but the CCC will assume storage costs on commodities that are acquired in settlement of loans, which we have not yet acquired as of now.

Mr. WIDNALL. How is the leasing of storage facilities handled? Through your Department, or does the producer obtain the storage facilities?

Mr. MORSE. It is handled in both ways. And it goes beyond that. Of course, the farmer can provide his own storage if it is approved, and during the past year we were very liberal in that regard, particularly with reference to wheat. For a time we made loans on wheat stored on the ground in the more arid areas, and in temporary storage, until it could be moved into more permanent storage.

The farmer, first of all, can provide his own storage in his own facilities, or he can arrange for storage in commercial elevators and terminals, on his own account.

Mr. WIDNALL. Well, if the commodity was then sold at a loss later on, would he obtain money for the storage of that grain or corn, or whatever it happened to be?

Mr. BEACH. Mr. Widnall, his interest in the commodity disappears once the commodity is acquired by the Corporation, with the exception of cotton, which in the past has been pooled for the account of the producers.

But in the case of grains, for example, once the Corporation acquires the grain in settlement of the loan then the producer is freed of any further connection with that commodity. The Corporation pays the storage costs, adds those costs to its investment in the inven-

tory, and when it is sold reflects the difference between the total investment, including the storage costs, and the sales proceeds, as either a gain or loss, whichever the case may be, and that shows up in these operating results for the Commodity Credit Corporation, which have been discussed.

Mr. WIDNALL. Why is it that fluid milk consumption of the country hasn't seemed to keep pace with the increase in population? Is that due to lack of salesmanship on the part of the industry?

Mr. MORSE. Part of the answer is in retail costs. As you are aware, there is a substantial increase over the farm price before delivery is made to the housewife. In the main, we have felt that the dairy industry has been very aggressive in its selling, and quite effective in handling the products. They are constantly working to get down the costs of delivery to consumers, but there are, inevitably, costs of transportation, handling, and many other costs before the commodity is finally delivered.

Mr. WIDNALL. Isn't it true that the fluid-milk consumption has not kept pace with the increase in population?

Mr. MORSE. I believe that that is correct. However, there is a trend that needs to be encouraged toward more milk products being used in fluid or whole milk form, rather than in the form of manufactured products.

Mr. WIDNALL. In my New Jersey district there are located a large number of milk producers and they are in a terrific squeeze right now. Fluid milk is being dumped into that area, and they still have high-cost feed coming in with a pegged price. They are getting paid not their No. 1 classification for milk but No. 2, which is the fluid surplus milk price, and yet the dealer is selling it to the consumer based on the high cost of production. They are supposed to be getting about \$5.37 a hundred for their milk, but for about 40 percent of their production they are getting about \$3.40 a hundred, a surplus price. Yet the dealer, in turn, goes to the consumer and sells it to him at 25 cents a quart based on the \$5 price to the farmer.

Mr. MORSE. Many milksheds, or a number of them, are operated under agreements, or marketing orders, in which cost factors are being reflected. I don't know the situation in your particular area, but dairymen are under the cost-price squeeze to which you refer.

Mr. WIDNALL. The farmers in my area are for a flexible parity, and for a reduction from the 90 percent figure, but they say if it is going to continue, with a squeeze, in a high priced commodity, that they are going to have to have their own prices pegged at the point of their own production cost.

Mr. MORSE. Yes, sir; and it is part of this need for flexibility in our farm economy so that we will get adjustments, as conditions change.

Mr. WIDNALL. Have you done anything about exploring the possibility of bartering surplus commodities with foreign countries, for strategic materials?

Mr. MORSE. Yes, sir; we are handling some barter transactions, but they have not been large in total. In the recommendations that the President has made in regard to the farm program there is provision for more discretionary power. We could then go further in the barter for items which might be used in this country, and which we are not

producing here in oversupply, and which would not interfere with our markets.

So far, barter has been confined almost entirely to the strategic materials.

Mr. WIDNALL. With what countries has that taken place?

Mr. MORSE. Well, here are some: Turkey, the Belgian Congo, New Caledonia, Italy, Japan, England, France, Egypt, Spain, Brazil, Germany. Items that have entered into the barter transactions have included cotton, corn, wheat, grain sorghums, tobacco, and some other undesignated items. They have been bartered for items which would be useful in connection with our stockpiling for military needs.

Mr. WIDNALL. Is there any possibility of bartering some of these commodities at a favorable price to a foreign nation so as to obtain coffee at a better price to the American consumer?

Mr. MORSE. I don't know that we have been into that, sir.

As I have indicated, under the operations that we have had up to the present time, barter has been limited to commodities which would be taken by the military, and we have not gone into items which we would need to hold, or where we would have to assume the market responsibility for whatever we acquired. If the set-aside is provided for, and the authority given to the President which is requested in the President's message, as I have indicated, we would have a much more liberal bartering position. It would make it possible for us to deal much more effectively in the area of barter.

Mr. WIDNALL. That is all, Mr. Chairman.

The CHAIRMAN. Mr. MULTER.

Mr. MULTER. Are there any price supports for milk?

Mr. MORSE. Not as such. It is on the manufactured items of butter, cheese, and dried milk. That is the form in which the supports are given.

Mr. MULTER. Isn't that one of the fundamental faults of the program, so far as the dairy products are concerned? The man producing milk, as such, gets no support, and, therefore, his milk is going into the dairy products because there he gets the bigger profit because of the price supports?

Mr. MORSE. Yes, sir. The support is in the manufactured commodities, partly because of what the gentleman from New Jersey has stated, namely, that the pressure is kept off of the fluid milk areas if there is support given to the manufactured items. Less milk moves into the fluid markets.

However, the trend should be encouraged to get more of the milk moved into consumption as whole milk, rather than in the commodities which, under the price-support approach, are winding up in our warehouses with no adequate way of moving them into consumption.

Mr. MULTER. Now, with reference to this table that was given to us this morning, I recall something was said yesterday about moneys being spent by Commodity Credit Corporation for control of the foot and mouth disease. Where is that reflected in this statement?

Mr. MORSE. Mr. Wheeler?

Mr. WHEELER. The cost of the foot-and-mouth disease program is reflected down a little below halfway in the page, the category called

"Other, chiefly school lunch, marketing services, control, and regulatory activities."

Mr. MULTER. Am I right, then, that Commodity Credit Corporation does not pay that money out?

Mr. WHEELER. It merely advances it under special authority in the appropriations act, and then the Corporation is subsequently reimbursed for those advances.

Mr. MULTER. So it should not be charged in anyway to the operations of the CCC?

Mr. WHEELER. No.

Mr. MULTER. Now, there have been losses, have there not, incurred by Commodity Credit Corporation, which were caused by fraud, theft, and embezzlement? Am I right?

Mr. BEACH. Yes, sir; that is correct.

Mr. MULTER. Where would those losses be reflected?

Mr. BEACH. Those would be reflected in the first line on price supports, if they applied to the price-support program, which most of them did.

Mr. MULTER. What was the amount of those losses for 1953?

Mr. BEACH. We do not have a separate category of losses for embezzlement, and so forth. They are handled on a claims basis, individual claims are set up and liquidated over a long period of time, usually. We do have some indication of how much grain has been stolen from bins, in recent months, which has become a little problem. As far as the overall loss due to loan frauds is concerned, that shows up generally as a loan chargeoff, if the farmer obtains a loan by means of fraud. Then we call the loan and usually have no recourse and have to charge the loan off.

Mr. MULTER. What do you mean you have no recourse?

Mr. BEACH. As to the money.

Mr. MULTER. If it is a fraudulent loan?

Mr. BEACH. Well, if he has no commodity to support the loan we will have to charge the loan off, or a portion of it.

Mr. MULTER. I understand you charge the money off, but what about going after the man who committed fraud?

Mr. BEACH. We do. My point is that the loss that we take is charged off as a loan chargeoff, rather than setting it up as a fraud loss, so to speak.

Mr. MORSE. We have a great number of both civil and criminal cases pending. It is a part of the cost of the operation to press those claims, and we write them off only when they prove uncollectible.

Mr. MULTER. May we have a schedule showing what the aggregate amount of those losses, by classifications of theft, embezzlement, and fraudulent loans?

Mr. BEACH. Sir, we have a separate statement that we can supply for the record on the losses resulting from the recent grain conversion cases. I can tell you now that about 37,575 bushels of grain has been reported stolen from bins in recent months. That would show up as an inventory adjustment on our accounting records and would not be separately identified as a loss from theft, as such, necessarily. It might be difficult for us to give an overall summary of that type of loss, but we will do the best we can with what information is available.

(Information on charge-offs and grain thefts follows:)

U. S. Department of Agriculture, Commodity Stabilization Service, writeoffs on price-support loans by fiscal years, July 1, 1949 to date

Fiscal year:	Value
1950-----	\$308, 136
1951-----	670, 842
1952-----	1, 309, 075
1953-----	3, 158, 038
1954 (through Dec. 31, 1953)-----	172, 286

This classification includes chargeoffs of loans and accounts and notes receivable. Losses sustained in the liquidation of loan programs include instances of uninsured fire and flood losses. Losses due to fraud are relatively minor.

Losses due to thefts of CCC grain from CCC-owned bins are estimated at \$63,160 through February 24, 1954.

Mr. MULTER. Well, I think it is important that we know precisely what that picture is, both by way of fraudulent loans, embezzlement, and thefts of grain. Of course, when I say fraud and embezzlement, I also have in mind the fellow who said he had something in storage and got something on the basis of it and never had anything in storage.

Then, of course, you have the actual commodity that went into storage and was stolen out of the warehouse.

Mr. BEACH. Well, we have a figure here, right at the moment, Mr. Multer, that indicates that as of January 1, 1954, shortages involving a total of about \$11,310,000 have been discovered over a 5-year period. In relation to the total inventories held by CCC it is a very small item.

Mr. MULTER. Were some of these fellows under bond?

Mr. BEACH. Yes, sir; we have made recoveries of over \$4 million against that \$11 million and our net outstanding claims are about \$7,300,000 now.

Mr. MULTER. In this compilation that you will supply to us will you also show what recommendations have been made to the Department of Justice for prosecutions against any of these people, and the status of those matters?

Mr. BEACH. Yes, sir; we can give you information on that, with respect to these recent shortage cases.

Mr. MULTER. How about the old shortage cases? Are they still pending?

Mr. BEACH. I am speaking of those that are pending. With respect to those that may have happened back in the thirties and forties, we won't have the information.

Mr. MULTER. Well, I am not thinking of any that go back that far. I am thinking of those in more recent years.

Mr. BEACH. All right, sir.

Mr. MULTER. I am frankly concerned by a newspaper item that I read to the effect that the Secretary of Agriculture had indicated that there would be no prosecutions in connection with some of those cases. Do you know anything about that?

Mr. MORSE. That may have been picked up on the basis of the fact that there are a large number of these claims that are pending where collection will not be possible, and where the costs of pursuing them further would be out of proportion to the possible recovery. Of course, where there are fraud cases that should properly go to the Department of Justice, they will continue to be referred to that Department.

Mr. KILBURN. Is there a statute of limitations on this?

Mr. MULTER. I had that in mind when I said never mind the old cases going back to 1933.

How about those in more recent years? I particularly had in mind an item which said something about cases that had been referred to the Department of Justice, and the Secretary had said "Forget about those things, drop them, don't prosecute them."

Mr. MORSE. Mr. Cooper is here from the Solicitor's Office and we would like him to speak to that question.

Mr. Cooper.

Mr. COOPER. I am Chief of the Commodity Credit Division of the Office of the Solicitor.

I think your statement is addressed to a newspaper item in a Washington paper. The Solicitor has prepared an official reply to that, which we would be glad to make available to this committee.

That statement was addressed largely to suits against third parties who have purchased grain from elevators which had sold the grain of the Commodity Credit Corporation without authority.

The Department has vigorously prosecuted all violators who have sold Commodity Credit Corporation grain. We are continuing to push those cases. They are divided into two types: Those with a criminal aspect, and those with a civil aspect.

There is a 3-year statute of limitations on the criminal aspect. As soon as we get an investigation completed we transmit that to the Department of Justice and request criminal prosecution thereon. The civil aspects of the cases take longer. We have to determine the quantity of the grain in the warehouse and to whom it was sold. To determine all that goes into and out of the warehouse is a long and difficult procedure to follow.

We are filing our claims and collecting on those. There are a number of these cases in which criminal prosecutions are impossible because some of the culprits have committed suicide or died in the meantime.

We will be glad to furnish you with a complete list of all of those cases since the so-called outbreak that occurred in 1950 and 1951 and up to date.

Mr. MULTER. Mr. Chairman, may that be incorporated in the record when it is supplied?

The CHAIRMAN. Do you have any information as to how voluminous that would be?

Mr. COOPER. I think a statement as to the status of all of the cases would be about 6 or 7 typewritten pages. We have prepared a long- and a short-form reply to the columnist, and the long form is, I think, about 30 pages, and the short form may be 7 or 8 pages.

The CHAIRMAN. Would the short form be sufficient?

Mr. MULTER. Suppose he submits all that information and then we can decide what part, if any, should be put into the record.

The CHAIRMAN. Can it be submitted before Monday?

Mr. COOPER. Yes, sir.

The CHAIRMAN. Very well.

(The information referred to follows:)

UNITED STATES DEPARTMENT OF AGRICULTURE,
COMMODITY CREDIT CORPORATION,
Washington, D. C., March 3, 1954.

HON. JESSE P. WOLCOTT,
Chairman, Banking and Currency Committee,
House of Representatives.

DEAR MR. WOLCOTT: Pertinent to the questions asked by the members of your committee, we are submitting information with respect to the status, as of January

1, 1954, of warehouse conversion and fraud cases involving Commodity Credit Corporation commodities.

Table I, enclosed, enumerates the active warehouse shortage cases and the estimated book value of shortages uncollected. This tabulation shows 159 active cases involving shortages in the amount of \$7,570,304. These figures represent a reduction of 5 in the active cases during the calendar year 1953 but an increase of approximately \$600,000 in the amount remaining uncollected. As of January 1, 1954, shortages involving a total of some \$11,310,000 had been discovered over a 5-year period and recoveries of some \$4,020,000 had been effected, leaving outstanding claims for \$7,290,000. Recoveries for the calendar year 1953 were in excess of \$1 million.

In this past calendar year some 81 shortage cases were discovered; however, 72 of these were discovered during the first half of the calendar year and only 9 cases were discovered in the latter half of the year.

It will be noted that all of the 159 active cases, with the exception of 36, have been referred to the Department of Justice. Of these 36 cases, 16 were still under investigation and as of January 1, 1954, the other 20 cases were being reviewed by the Office of the Solicitor to determine whether the evidence warranted transmittal to the Department of Justice. Some of these 20 cases have since been referred to the Department of Justice. The record of criminal prosecutions in the conversion cases should have a strong deterrent effect; as of January 1, 1954, convictions have been obtained in 36 cases.

With respect to the progress of the civil aspects of these cases, the fact that the amount of the outstanding uncollected claims is greater than it was at the expiration of the calendar year 1952 is explained by the period of time necessary to complete the complex court proceedings required. In many cases the insolvency of the warehouseman has necessitated actions in bankruptcy or receivership, the disposition of which requires a considerable amount of time. None of such cases where the warehouseman's financial condition necessitated a bankruptcy or receivership action have been concluded to date but a few are nearing completion. In such insolvency proceedings the Government is but one of many creditors whose claims and rights must be determined before a disposition of assets can be effected. Various aspects of some of these proceedings are currently involved in appellate proceedings. Orderly liquidation of assets in major cases is of itself time consuming. The Government, being but one of many creditors, is not in a position to control the overall rate of progress of such proceedings.

Enclosed with this letter is a listing by name of the warehouse shortage cases under the following classification as of January 1, 1954:

1. Cases which have reached the court stage.
2. Cases which have been closed.

In addition to the above, we enclose a listing by name of 82 cases which have been referred to the Department of Justice but have not been reported as having reached the court stage. As a matter of policy the names of such persons or concerns have not been made public by the Department of Agriculture in order to avoid harm to innocent persons in any cases wherein the Department of Justice decides that there is not a sufficient basis for criminal prosecution.

With a view to minimizing the possibility of further warehouse conversion cases, the Board of Directors of Commodity Credit Corporation has prescribed certain factors to be considered in determining whether to approve or disapprove warehousemen's application for storage contracts. These factors are as follows:

(1) The physical plant and equipment must be adequate to handle and store Commodity Credit Corporation commodities.

(2) The warehouseman or his employees in charge of the operations of the warehouse must have demonstrated ability and experience as bona fide warehousemen.

(3) The warehouse must be operated under a Federal, State, or local license, if a license is required by State or local laws or regulations.

(4) The warehouseman must have satisfactorily complied with Commodity Credit Corporation instructions under any previous contracts with Commodity Credit Corporation.

(5) The warehouseman must have adequate financial responsibility as evidenced by his net worth.

(6) The warehouseman must have complied with the regulations of the applicable licensing authority or has satisfactorily corrected any condition which may have resulted in refusal, suspension, or revocation of such a license.

(7) There is no substantial evidence of fraudulent or dishonest acts on the part of the warehouseman or any responsible official or employee of the warehouseman.

In exceptional cases, where warehousing services required under Commodity Credit Corporation programs cannot be secured if all of these factors are strictly adhered to, and no reasonable and economical alternative is available, one or more of the foregoing requirements may be waived by the vice president of Commodity Credit Corporation in order to carry out the statutory responsibilities of Commodity Credit Corporation to provide price support to producers. Inspections of warehouses storing agricultural commodities under Commodity Credit Corporation programs have continued on the basis of a minimum of two inspections for each calendar year.

Pursuant to the request of your committee, we enclose additional copies of the two statements with respect to the pursuit of claims against purchasers from warehousemen of Commodity Credit Corporation fungible commodities which were transmitted to you by letter dated January 26, 1954, from Karl D. Loos, Solicitor.

We trust that the above information is responsive to your request. We shall be pleased to furnish any further information which you may desire in connection with these cases.

Sincerely yours,

TRUE D. MORSE,
President, Commodity Credit Corporation.

Warehouse shortage cases—Number of active cases and estimated CCC book value of shortages (reported as uncollected through Jan. 1, 1954)

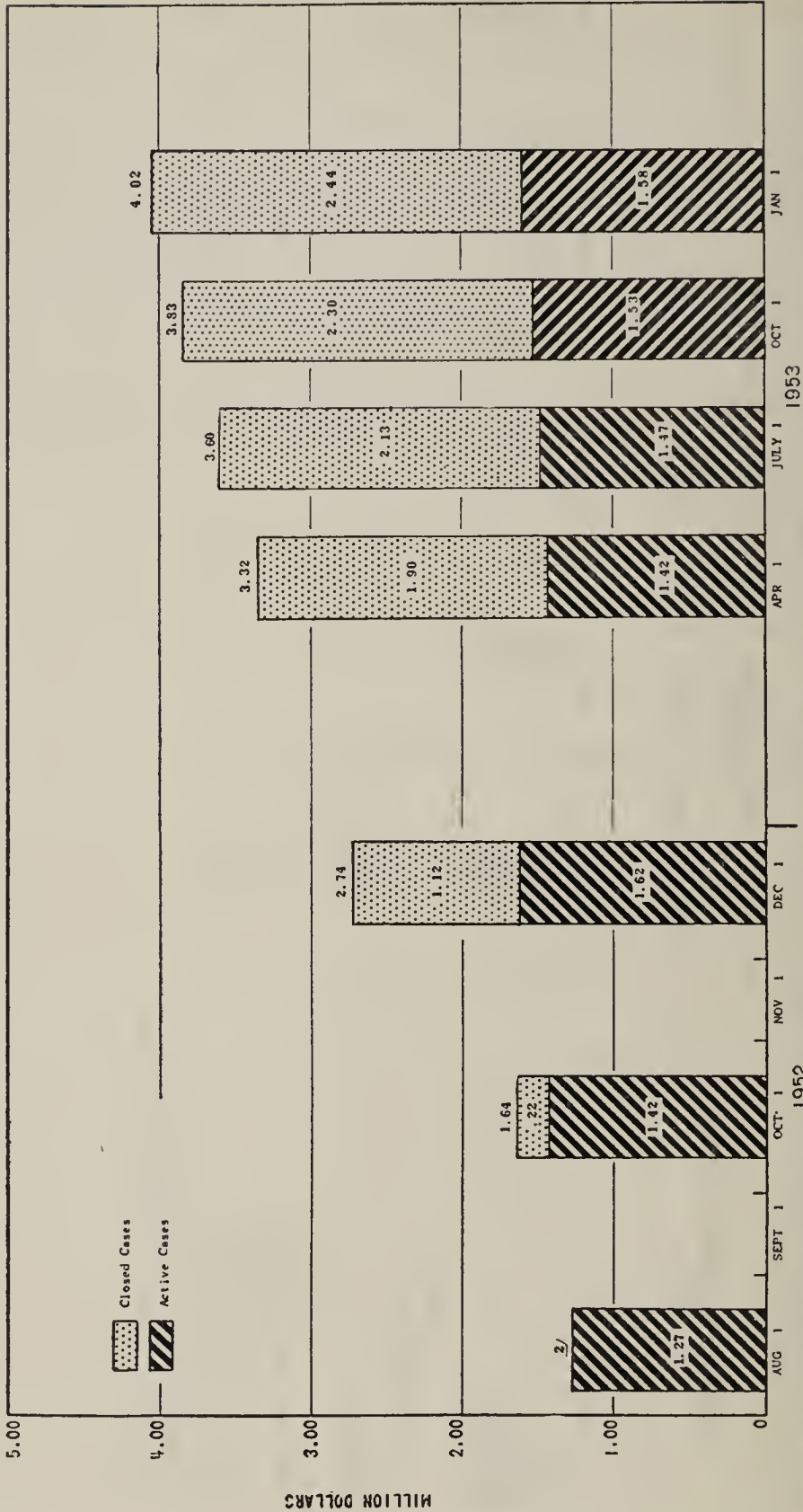
Commodity and CSS commodity office	Total cases		Reported and under investigation		Referred to attorney in charge		Referred to Department of Justice		Court action initiated	
	Number	Value of shortage	Number	Value of shortage	Number	Value of shortage	Number	Value of shortage	Number	Value of shortage
GRAIN ¹										
United States total.....	144	\$7,288,735	15	\$150,774	18	\$228,170	58	\$761,049	53	\$6,148,742
Chicago.....	61	1,684,606	7	87,594	12	141,581	19	111,549	23	1,343,882
Dallas.....	31	2,907,053	1	15,685	2	28,000	20	529,128	8	2,334,240
Kansas City.....	31	2,140,186	3	22,856	3	51,260	12	116,799	13	1,949,271
Minneapolis.....	9	37,915	2	13,662	0	-----	4	-----	3	24,253
New Orleans.....	5	113,577	0	-----	0	-----	1	3,573	4	110,004
Portland.....	7	405,398	2	10,977	1	7,329	2	-----	2	387,092
PEANUTS										
United States total.....	10	240,148	0	-----	2	8,855	4	70,000	4	161,293
Dallas.....	2	97,503	0	-----	0	-----	1	-----	1	97,503
New Orleans.....	8	142,645	0	-----	2	8,855	3	70,000	3	63,790
COTTON										
United States total (New Orleans cases).....	4	40,416	1	-----	0	-----	2	1,022	1	39,124
DRY SKIM MILK										
United States total (Chicago case).....	1	1,005	0	-----	0	-----	1	1,005	0	-----

¹ Includes dry edible beans, soybeans, and seeds.

Source: U. S. Department of Agriculture Jan. 12, 1954.

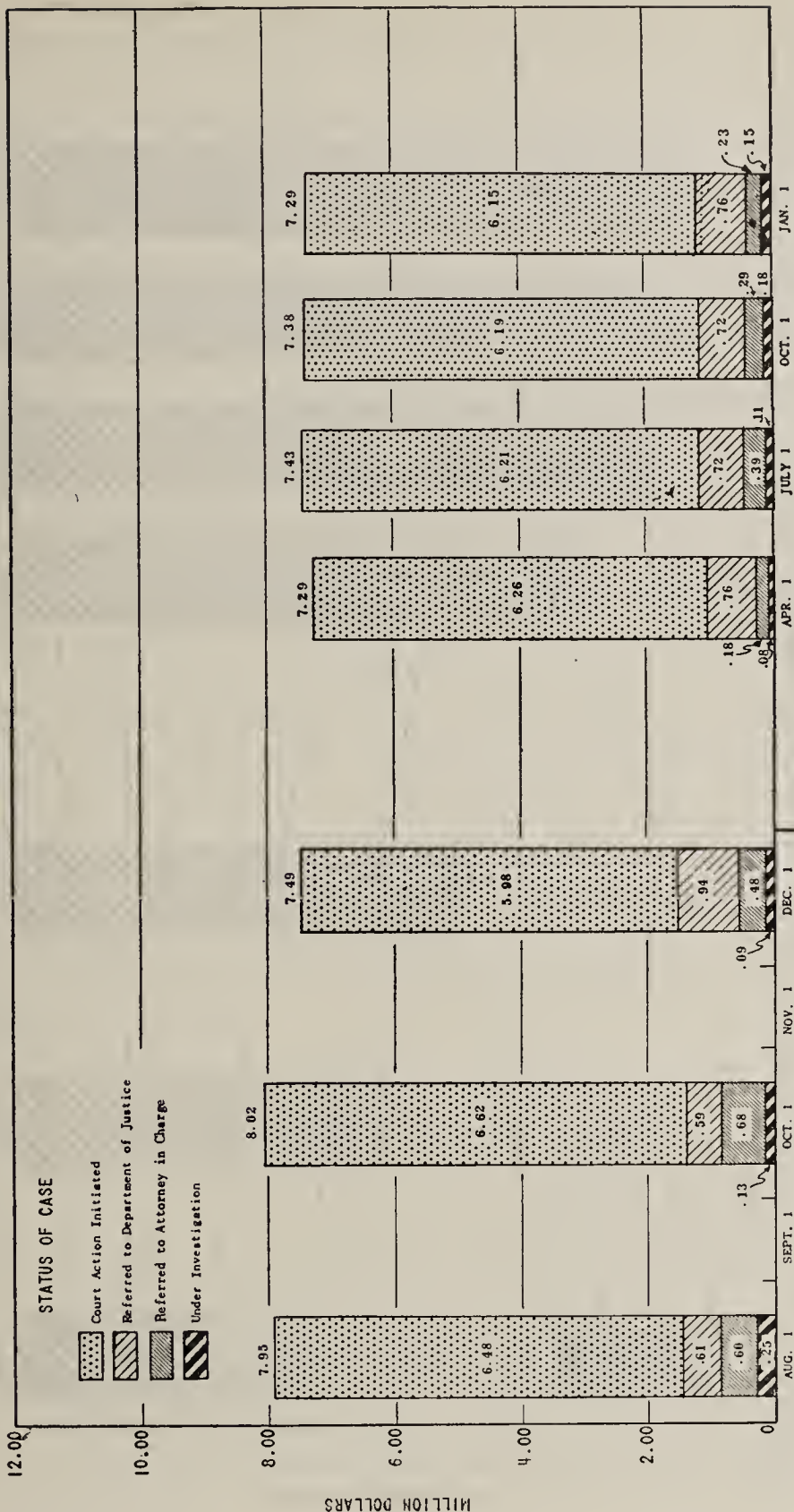
FOR ADMINISTRATIVE USE ONLY

GRAIN WAREHOUSE SHORTAGE CASES ^{1/}
TOTAL COLLECTIONS REPORTED BY CSS COMMUNITY OFFICES
(AS OF SPECIFIED DATES)



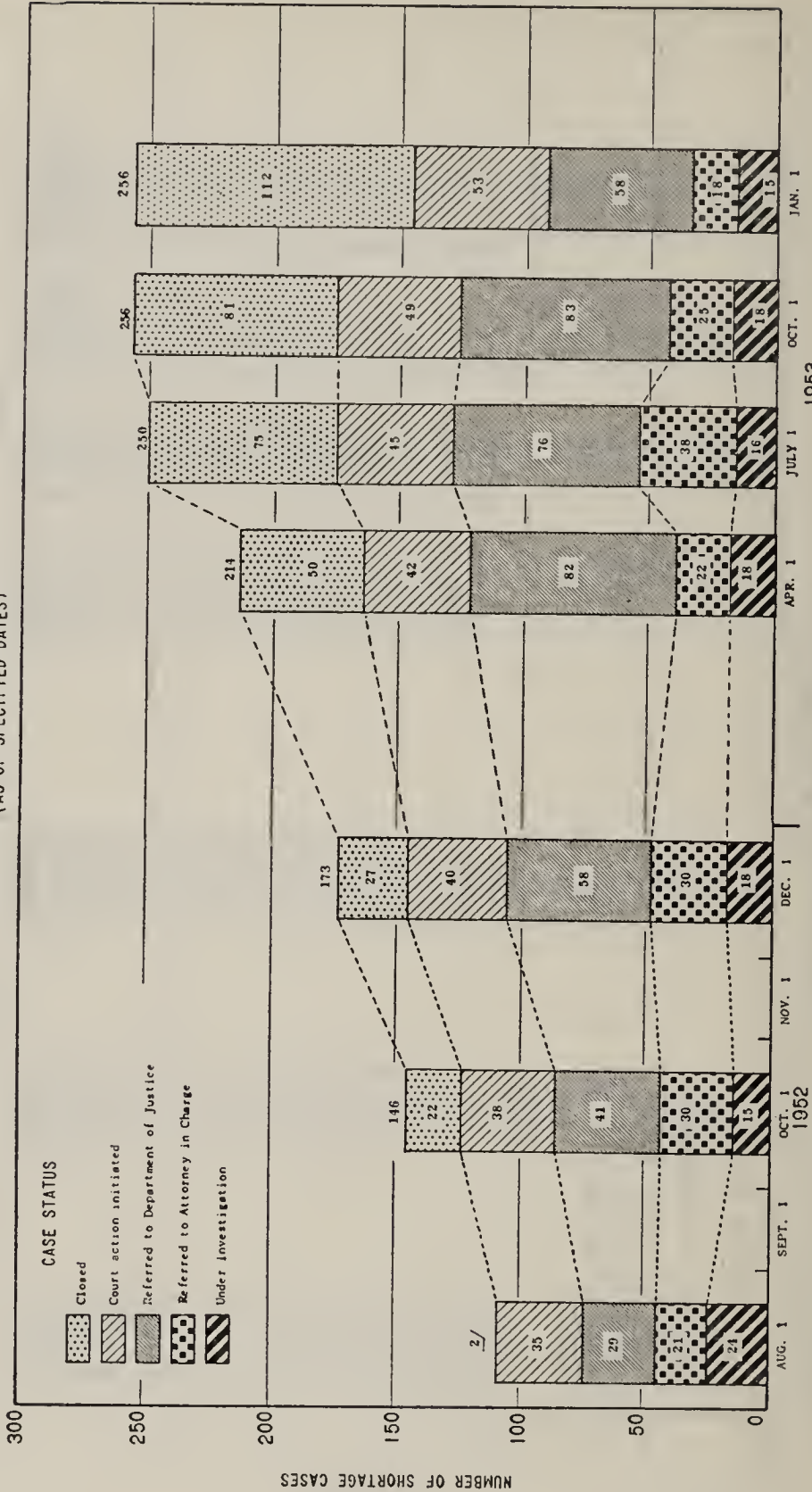
^{1/} Includes Grains, dry edible beans, soybeans, and seeds
^{2/} Active cases only Data for closed cases not available

GRAIN WAREHOUSE SHORTAGE CASES 1/
UNCOLLECTED VALUE OF SHORTAGES, CLASSIFIED BY CASE STATUS
(AS OF SPECIFIED DATES)



1/ Includes grains, dry edible beans, soybeans, and seeds

GRAIN WAREHOUSE SHORTAGE CASES 1/
NUMBER OF CASES, CLASSIFIED BY CASE STATUS
(AS OF SPECIFIED DATES)



1/ Includes grains, dry edible beans, soybeans and seeds.

2/ Number of closed cases not available. Active cases totalled 109.

SUMMARY STATEMENT OF DEPARTMENT OF AGRICULTURE WITH RESPECT TO CLAIMS AGAINST THIRD-PARTY PURCHASERS OF COMMODITY CREDIT CORPORATION GRAIN

Drew Pearson's column of January 11, 1954, which appeared in the Washington Post and other newspapers throughout the country, attacked the action taken by the Department of Agriculture with respect to the Government effecting recovery from persons who purchased Commodity Credit Corporation grain wrongfully sold by warehousemen. The article misstated facts and created a number of erroneous impressions, such as, (1) that this Department is not taking action against warehousemen who converted Government grain, (2) that this Department is not taking action against those persons who knowingly purchased Government grain from warehousemen and that the bill introduced by Senator Butler would prevent recovery from such persons, and (3) that William F. Farrell, the Department's former regional attorney at Dallas, Tex., has been dismissed because of his prosecution of warehousemen who converted Government grain.

With respect to the first point, the record is clear that this Department has consistently advocated the vigorous prosecution of those warehousemen who wrongfully disposed of Government grain and has promptly referred all such cases to the Department of Justice for appropriate criminal and civil action. To date the Government has taken criminal action against 56 persons or concerns and has brought 72 civil actions. Secondly, this Department has also consistently urged vigorous action against those persons who purchased Government grain from warehousemen with knowledge of the true ownership of the grain, and Senator Butler's bill would not in any way prevent recovery from such persons. The third charge likewise has no basis in fact. Mr. Farrell's retirement was as a result of reduction in force in connection with an overall reorganization of the field service of the Office of the Solicitor and had no connection with the matters relating to the conversion of Government grain.

Mr. Pearson's article indicated that all of the "grain dealers * * * purchased the illegal grain with their eyes wide open." But the results of the comprehensive investigations made by this Department do not support this charge. The evidence shows that, with few exceptions, in cases where warehousemen wrongfully sold Commodity Credit Corporation grain, the purchasers did not know that the warehousemen were improperly selling grain belonging to others. Such purchasers acted innocently—they bought the grain in good faith in the ordinary course of business. In some instances they bought through brokers and did not even know the identity of the seller of the grain.

The column by Mr. Pearson not only avoided mention of the fact that the great majority of the purchasers were innocent but misquoted the last sentence from the memorandum of March 30, 1953, which Mr. Farrell received from this Department's Office of the Solicitor, by omitting the word "innocent" and substituting therefor the words "third party," and also misrepresented Senator Butler's bill. The memorandum, which was addressed to all field attorneys of the Office of the Solicitor, rather than to Mr. Farrell alone, related solely to pursuing claims against innocent purchasers.

Under the existing rule of court decisions in this country, an owner of grain wrongfully sold by a warehouseman can recover from a wholly innocent purchaser of such grain. This rule has been subjected to severe criticism for many years by prominent lawyers and judges who have recognized the harshness and inequity in forcing an innocent purchaser who buys fungible goods, such as grain, in good faith in the normal course of business from a dealer in such goods, to pay for them twice—first to the wrongdoing seller and again to the true owner. The critics of the rule have pointed out, also, that it disrupts normal trading in grain and other fungible goods because a prospective purchaser never knows whether a warehouse-receipt holder might later assert a claim to the goods he bought. This point has become a major problem for grain dealers and the Government alike in recent years because of the large-scale storage operations of Commodity Credit Corporation since World War II. Never before in the history of grain warehousing in this country has a single owner of grain had such large quantities stored in so many warehouses in all parts of the country for such long periods of time. Although inspections of warehouses are made periodically by Federal and State officials, the only way a purchaser can be certain that he is safe in buying grain from a warehouseman is to measure the stocks of grain in the warehouse and examine his records of outstanding warehouse receipts at the time of each purchase, which obviously is an impossible task.

The bill, S. 2526, introduced by Senator Butler, of Nebraska, which Mr. Pearson stated "would prevent collecting money from the purchasers" who "purchased the illegal grain with their eyes wide open," would not do that at all but would relieve only innocent purchasers from liability to the Government. Such bill would not relieve a purchaser from liability to the Government unless he bought the grain "for value in good faith and did not know or have reason to know of any defect in the warehouseman's authority to sell such goods." Moreover, the grain must have been bought "in the ordinary course of business" from a "warehouseman who was also in the business of buying and selling such goods." All rights of the Government against guilty purchasers, as well as warehousemen and their sureties, would be left unimpaired. An identical bill, H. R. 6878, has been introduced in the House by Representative Cunningham, of Iowa. These bills apply the rule contained in the new Uniform Commercial Code, which has been proposed for adoption by the Congress and the legislatures of the several States in recognition of the need for a modern, complete code of laws governing commercial transactions. This code represents the work of scores of experienced lawyers and judges and has been approved by the American Law Institute, the National Conference of Commissioners on Uniform State Laws, and the house of delegates of the American Bar Association.

All of the grain-conversion cases involving the question of proceeding against third-party purchasers have been referred by the Office of the Solicitor to the Department of Justice. Following discussions with respect to the situation of innocent third-party purchasers, the Department of Justice concluded, in July 1953, that under the present law such purchasers appeared to be legally liable and instructed United States attorneys to pursue claims against such purchasers. The Office of the Solicitor has transmitted all information presently available to it with respect to claims against third-party purchasers to the Department of Justice and either has furnished or is in the process of obtaining all further information requested by that Department in connection with the making of demand and filing of suit against such purchasers. The future course of action of the Department of Justice in the cases involving innocent third-party purchasers will, of course, be affected by the action taken by Congress on legislation relating to this subject. The Department of Agriculture looks with favor upon the principle of the proposed Uniform Commercial Code as applied to Commodity Credit Corporation grain in the Butler and Cunningham bills and feels that it would be desirable to delay pursuing claims against innocent purchasers to give Congress an opportunity to consider this legislation.

The retirement of Mr. Farrell had no connection with the question of collection of claims against purchasers of Commodity Credit Corporation grain or with his part in the criminal prosecution of warehousemen charged with willful conversion. The assistance which he and other regional attorneys of this Department gave to the United States attorneys in both criminal and civil proceedings against such warehousemen was in accordance with this Department's policy of advocating vigorous prosecution of such cases. The reduction in force which affected Mr. Farrell's office was part of an overall reorganization of the field service of the Office of the Solicitor undertaken solely for reasons of economy and improved efficiency. In the course of this reorganization, two field offices were abolished and reductions in force and transfers of personnel were made in a number of offices. All personnel changes were made in accordance with civil-service regulations.

Mr. MORSE. There is a point involved here which I think the committee should be aware of, and that is the provision for pursuing claims against what are really innocent third parties. That bears on this discussion of the question which you have raised. We would like to furnish that information.

Mr. MULTER. I don't think we ought to spread upon the report the names of anybody that may be maligned or improperly charged with wrongdoing, or where to make the charge would be to condemn.

Mr. MORSE. Yes, sir. I was referring to innocent purchasers from people who were in violation. There is a provision which runs to them that is involved here, and I think that ought to be briefly stated so that if there is any adverse reaction to what we are proposing to do, we ought to have the benefit of the committee's guidance.

Mr. MULTER. I have no objection to so proceeding, Mr. Chairman.

Mr. Chairman, the other questions I would like to propound, I

think could more properly be directed to the Secretary, so with your permission I will hold them until his arrival.

The CHAIRMAN. Mr. Betts.

Mr. BETTS. Mainly for my own information, where does the increase that you asked for in this bill fit into that chart which you have passed around? Is that in the entire first bracket there, programs primarily for stabilization of prices, or is it generally for the Commodity Credit Corporation?

Mr. MORSE. It is the Commodity Credit Corporation. It is our operating authority.

Mr. BETTS. Was the \$6,750,000,000 limitation in the original measure?

Mr. MORSE. No, sir, that has been increased \$2 billion on a previous occasion, when the limit of \$4,750 million was being approached. Mr. Beach has a history which shows the original borrowing authorization to be \$500 million.

Mr. BETTS. Do you mean when this——

Mr. MORSE. In 1938. Then it went up, the next year, to \$900 million. Then it was increased in 1940 to \$1,400 million. In 1941, to \$2,650 million. In 1943, to \$3 billion. In 1945, approximately 2 years later, up to \$4,750 million. And then in 1950, the \$2 billion to which I referred were added, bringing the total to the present limit of \$6,750 million. This request before the committee, for consideration, is to increase the authorization to \$8½ billion.

Mr. WHEELER. Could I add to that. The borrowing authorization to which this bill refers is not reflected directly in these figures. The borrowing authorization merely provides the funds for operations of the Corporation. It isn't until the operations result in a gain or loss that it is reflected in the figures in this table. Do I make that clear?

Mr. BETTS. In other words, the \$6.750 million includes money which has been spent for operation of Commodity Credit Corporation? Is that what you mean by that statement?

Mr. WHEELER. Well, the funds which the Corporation is permitted to borrow under this borrowing authorization enable the Corporation to make loans and investments in commodities.

Those loans and investments ultimately result in gains or losses, which are reflected in this table.

Mr. BETTS. I see what you mean.

Mr. WHEELER. But the borrowing authorization as such, which we might describe as a capital working fund, is not reflected per se in these figures.

Mr. BETTS. I was interested primarily in asking my first question in just how this maximum borrowing limitation has grown since the formation of Commodity Credit Corporation. Apparently it has been raised 5 or 6 times.

Does this present bill take care of the thing for the foreseeable future, or isn't that a fair question?

Mr. MORSE. That is a fair question and one that is appropriately raised. I believe in the Secretary's statement, it was made clear that this was to take care of the commitments for 1954 crops, and the commitment on them stands for the basics, at 90 percent of parity.

The \$8½ billion is to carry the Corporation's investment in 1953 and prior crop years, and support the price of 1954 crops.

This estimate is good as far as we are concerned only for this 1954 season, and there again it will depend upon acreage, yields, and the amount that we are able to move in export, and so forth. The reserve for losses against these commodities, which has been set up, runs \$636 million, which is about 24 percent of the inventories.

The extent to which we actually incur losses, of course, will enter into this. However, that will be recovered in subsequent appropriations under the operations of the existing law.

Mr. BETTS. So that it is perfectly possible within a year that we may have to consider this thing again in connection with another request for authorization?

Mr. MORSE. Yes, sir; that was the situation we found ourselves in last December, and the item which would normally appear in the regular budget was taken out and submitted for emergency legislation. The Senate and House recently acted on the appropriation, because we were out of funds. We had used up our borrowing authority. We knew in December that we were approaching our borrowing authority limit. We realized when the quantity of commodities that farmers were submitting for loans began to break away from the normal pattern and began to increase greatly, that we would have to get this restoration of capital, which we got as of February 12, in order to continue the programs.

As I indicated yesterday, we are between two laws in the operation of this Corporation. There is the commitment to farmers, for price supports, and it is up to the farmers how much they put under loan, or how little. That, of course, depends to a large extent on the markets. Then on the other hand we have this ceiling on borrowings, with which the Corporation is not primarily concerned until we see that we are running out of borrowing authority—a situation which we now face.

Mr. BETTS. Do I understand that the Corporation also has authority to make loans for the construction of storage facilities? Is that within the scope of this?

Mr. MORSE. Yes, sir.

Mr. BETTS. Have you dwelt on that any? Have you told us anything about what you have done in connection with lending for construction of storage facilities?

Mr. MORSE. Well, our efforts are not only in connection with storage facility loans, but also in connection with the construction of CCC storage. Last year we provided additional Government storage of something over 96 million bushels of additional storage capacity in order to take care of last year's crops. We have just recently put out a statement urging farmers to provide their own storage. This is the profitable way for most farmers to operate in connection with this price-support program. We are urging them to expand their own storage facilities to the needs of their farms, in anticipation of the storage shortage we are faced with this year. We are hard pushed for places to go with grains and various other commodities.

Through December 31, 1953, 45,000 loans were made on storage facilities totaling 173.2 million bushels capacity, to the extent of \$49.4 million.

Mr. BETTS. I notice some statements of some ships being used.

Mr. MORSE. Yes, sir, part of the distortion of the pattern, in the operation of the lending program, is, for instance, the increased acreage of wheat in the Northeast where normally, prior to this price-support operation, a good deal of wheat that was grown was fed—it entered into dairy and poultry feeds. Now the acreage has increased, and we are getting a lot of the wheat, and we have to find storage for it in areas where normally there was not the need for so much storage. Hence we are using ships, here, in eastern harbors, 50 on the James River, 75 at Jones Point, N. Y. Recently there have been arrangements made for additional ships. More acutely, at the present time, the situation in the Pacific Northwest is shaping up where we are arranging to get 83 ships at Astoria, Oreg., and 47 at Olympia, Wash., into use to get some wheat moved into ships before the new harvest.

Mr. BETTS. Is there any charge made for storage in those ships?

Mr. MORSE. There are very definite costs involved, yes, sir, and there are costs of getting the wheat into them and out.

I might add, however, that the costs are not excessive as compared with commercial costs, if the commercial storage was available.

Mr. BETTS. I see.

Mr. MORSE. We are forced into this arrangement and have moved into it because of the fact that there just isn't enough storage on farms and commercially to take care of the wheat that has accumulated, along with other grains.

We have attacked this storage problem from various angles, and one is the occupancy guaranty, on which we have issued contracts to the extent of almost 300 million bushels. Not all of that will be built in time for the harvest, and cancellations and withdrawals have amounted to over 85 million bushels, but we have contracts outstanding inviting people to increase this construction. That construction has been authorized at locations where it is most needed, not only to meet the present situation, but to meet future needs in connection with handling the grain crops of this country.

Farmers and commercial storage operators also have the benefit of tax amortization—stepped-up write-off. Both farmers and commercial people have this encouragement to provide expanded storage facilities.

Mr. BETTS. One other question: I was interested in the Secretary's statement that it was not the purpose of the Commodity Credit Corporation to interfere with private lending agencies, and I am wondering what the practices are, so far as assuring that the loans are not interfering in any way with loans that might have been made by private lending agencies?

Mr. MORSE. We are inviting, as was indicated yesterday, the full cooperation of the private lending agencies, and before asking Mr. Beach to comment on that further, I might say that we are following through the same way in connection with the handling and operation of storage, to try to keep it in the commercial channels and on farms.

However, we have had to expand Government storage because of necessity and because of the lack of commercial storage, and of storage on farms.

Mr. BETTS. Well I made that inquiry in response to complaints we receive from time to time to the effect that it has encroached upon

private lending agencies. I just wanted that cleared up so that if the question is put to me again I can tell people who claim there is interference with some definite assurance that that practice is not being followed.

Mr. MORSE. We would hope that any inquiries or claims of that kind might be passed over to us to examine because we are trying to watch this big operation carefully. We would like to have access to any suggestion that there is interference.

It is impossible to operate a business of this size without some interference, but we certainly want to keep it to a minimum.

Mr. Beach, you want to comment further on this.

Mr. BEACH. Just to give you an indication as to how we operate with the lending agencies; we encourage them in every way possible to make the loans in the initial instance, and to hold the paper in the immediate locality where it is convenient to farmers to make repayment on their loans.

We do that by allowing them a service charge of approximately a half of 1 percent per annum, for making and servicing the loan, in addition to the interest they receive. The amount we would pay them would be part of the Corporation's investment in the loans.

The producer pays 4 percent, however, and if the loan is redeemed by the producer, he in effect has paid the interest cost. We would pay the service charges.

We also have a minimum compensation rule so that the lending agency is sure to get a minimum of at least \$5 on a loan regardless of the length of time that the producer may hold it. In other words, he may make the loan and sell it to the Corporation any day he wishes. Supposing he sells it a week after he made it. The agency would still get \$5 in interest, which is another means of encouraging the local lending agencies to make these loans.

We have a service contract under which the bank may sell the paper to the Corporation, and still maintain custody of the loans and warehouse receipts for the CCC on a custodian basis. We pay them a fee for that service.

The aim is twofold, (1) to get the bank to handle the paper, and (2) to keep the paper in the immediate locality where it is convenient to the producer to redeem his loan if the price gets so that he can.

Mr. BETTS. Now we say "we are doing that"—

Mr. BEACH. I speak of the Commodity Credit Corporation.

Mr. BETTS. And is that the word that is passed on down to the local county offices?

Mr. BEACH. Yes, sir.

Mr. BETTS. So that they are the ones, in the last analysis, who are charged with seeing that private enterprise is protected?

Mr. BEACH. That is correct. The county office approves the loan papers in the first instance, and hands them to the producer. He may go to the local bank or some other bank, or he may get a loan directly from the county office in event he doesn't wish to go to the bank. But he is encouraged to go to the bank to get his loan.

Mr. BETTS. That is all I have, Mr. Chairman.

The CHAIRMAN. Mr. Deane.

Mr. DEANE. Mr. Chairman, I want to express to the Secretary my appreciation for his willingness to come back. I am mindful of the terrific pressure all of us operate under these days, and I wonder if the

cause of that pressure is that we have poor legislation, because we perhaps don't have time to think about it enough. Mr. Secretary, what is the need for price support, if there isn't a surplus?

Secretary BENSON. I didn't get the last phrase.

Mr. DEANE. I say, what is the need for price support, unless we do have a surplus?

Secretary BENSON. I appreciate, very much, Mr. Deane, your kind remarks. I would like to say that the President, sensing the importance of the legislation that is being considered here this morning, granted me permission to leave the Cabinet meeting, after the most pressing matters had been disposed of. I am sorry I couldn't be here earlier.

It is my personal feeling, Mr. Deane, that the agricultural industry has been geared up to an industrial economy, and operates on a much different basis than it did a generation or so ago, is influenced much more by market fluctuations in prices, up and down movements, and the operation is more hazardous than it was at another time, possibly.

Therefore, price supports can be used and used effectively to give some protection, by placing floors under farm prices to prevent undue fluctuations. Particularly is that true in the case of commodities that are storable, where they can be carried over from one year to the next, to level out the up and down swings.

Mr. DEANE. In other words, I gain, from your answer, that there is a need for, and there must be price supports?

Secretary BENSON. Well, I don't know that there must be, but it seems to me that they have a place, particularly in the storable commodities and to a lesser extent, possibly, in some of the semiperishable commodities, providing there is some flexibility and some discretion in their use.

Mr. DEANE. I have heard many definitions of parity. Would you agree on this definition: "That parity is a standard for measuring prices of farm products, in relation to prices paid by farmers for things they buy?"

Secretary BENSON. I think that is a very good definition, Mr. Deane.

Mr. DEANE. What is the present drop in prices to the farmer, covering the things he is having to buy?

Secretary BENSON. Do you mean the index of the things he uses in production?

Mr. DEANE. Yes.

Secretary BENSON. I don't know that I could give you the exact figure. Perhaps Mr. Morse can give it to you. He has been dealing with some of these figures more recently.

Mr. MORSE. Following Korea—

Mr. DEANE. Let's take wheat, for example. Let's take the machinery, fertilizer, and various elements that go into the things that the farmer must purchase to produce wheat. What is the variation in price now, as compared with months ago?

Mr. MORSE. These costs of farmers—

Mr. DEANE. I am thinking now of a wheat farmer.

Mr. MORSE. Well, that would apply to wheat farmers. The costs tend to remain up after a period of inflation.

Mr. DEANE. Do you have figures that you could give?

Mr. MORSE. The effective measurement is in this parity ratio, which, following Korea, started down, from 113 in February 1951—100 presumably being in balance. Last January, a year ago, when Secretary Benson came into office, it had reached 94. The decline during the previous year had been 10 points. It went on down from 94 to 90 in November. It has since recovered 2 points, so that it stands now, as compared with a year ago, down 2 points in the year, against a 10-point decline the previous year.

That is the overall measurement of the position of the farmer, and what has happened to him in these recent years.

Mr. DEANE. That will apply to the wheat farmer, the cotton farmer, and the dairy farmer?

Mr. MORSE. It will apply broadly to farmers, because they are all purchasers of fertilizer, machinery, gas, oil, insecticides, chemicals, and all the things that enter into farming.

(The following data was submitted by Mr. Deane, at p. 91.)

[1910-14=100]

Period	Prices paid for items used in		Parity index (prices paid, interest, taxes, and wage rates)	Prices received by farmers	Parity ratio ¹
	Living	Production			
1939 monthly average.....	120	121	123	95	77
1942 monthly average.....	149	148	152	159	105
1944 monthly average.....	175	173	182	² 197	108
1946 monthly average.....	202	191	208	² 236	113
1948 monthly average.....	251	250	260	287	110
1949 monthly average.....	243	238	251	250	100
1950 monthly average.....	246	246	256	258	101
June 15.....	243	247	255	249	98
1951 monthly average.....	268	273	282	302	107
1952 monthly average.....	271	274	287	288	100
1953 monthly average.....	270	253	279	258	92
1952—Dec. 15.....	269	264	281	268	95
1953—Jan. 15.....	268	265	284	268	94
Feb. 15.....	266	261	281	264	94
Mar. 15.....	269	261	282	264	94
Apr. 15.....	269	257	280	259	92
May 15.....	270	257	280	263	94
June 15.....	271	248	277	257	93
July 15.....	271	250	279	260	93
Aug. 15.....	273	249	279	255	91
Sept. 15.....	270	247	277	257	93
Oct. 15.....	270	246	276	249	90
Nov. 15.....	270	248	277	249	90
Dec. 15.....	270	250	278	254	91
1954—Jan. 15.....	271	254	282	259	92

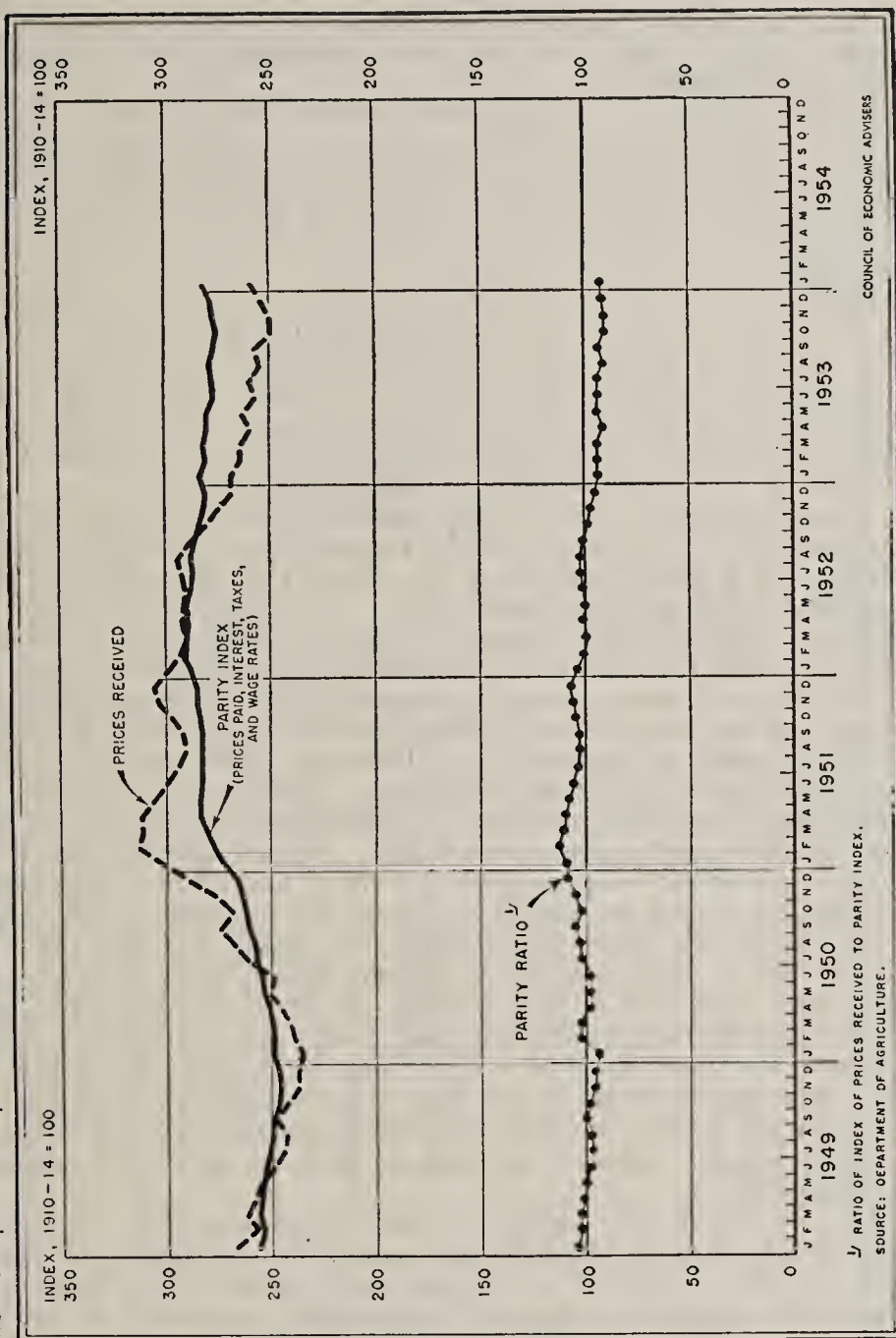
¹ Ratio of index of prices received by farmers to parity index.

² Includes wartime subsidy payments paid on beef cattle, sheep, lambs, milk, and butterfat between October 1943 and June 1946.

Source: Department of Agriculture.

PRICES RECEIVED AND PAID BY FARMERS

Prices received by farmers rose 2 percent from December 15 to January 15, with higher prices for meat animals, commercial vegetables, wheat, and hay being largely responsible. Prices paid were also slightly higher and the parity ratio was up 1 index point for the second consecutive month.



Mr. DEANE. What is the average annual income of a farmer?

Mr. MORSE. Could we supply that and have it right, sir?

(The total income per farm operator in 1953 was \$2,212.)

Mr. DEANE. I notice, Mr. Secretary, in a speech you made in New York, Monday night, that you say it represented about 5 percent of the national income.

Secretary BENSON. Yes, in round figures, I think that is the figure I used. The farm population represents in round figures about 15 percent of the population, but the percentage of the national income which is coming to farmers from farming is around 5 percent.

Mr. DEANE. How does that compare, do you think, with what he deserves?

Secretary BENSON. Well, I don't think it is enough, certainly.

Mr. DEANE. And if there hadn't been price support, do you think that percentage figure would be up or down?

Secretary BENSON. Well, that would require considerable analysis with respect to various commodities. You see, we have 90 percent supports on some of the basic commodities now, but that doesn't necessarily mean that the farmer will get that.

As an example, corn is being supported at 90 percent, but the average price to the farmer at the present time is only 79 percent of parity, and I think that one of the charts that was attached to the statement yesterday indicated that over the 20-year period, the prices of unsupported commodities had averaged about along the same line with the supported commodities, if not a little higher.

But there are times, certainly, when supports can be used effectively to prevent market declines, by the Government providing a floor, and by the storing of commodities. However, that cannot go on indefinitely if great surpluses accumulate. Eventually, the price level will go down regardless of what the support level is, and we are facing that situation now in the case of wheat. We are scouring the country to try to get enough storage space for wheat, and I don't know what we will do next year if we should get better than normal yields.

Of course, we never know what the yields will be. We can't predict those. But it looks as though we will have a carryover of something over 800 million bushels, which is enough for a year's supply without any production next year. So you reach a point, if supports are maintained at a rigid, high level, when the inducement of those supports brings in new land, stimulates heavy production and you may reach the point when eventually the program will collapse of its own weight, unless something is done to move the crops into consumption.

Mr. DEANE. I am coming to that in a moment. Before you came in Mr. Brown was directing a question, or brought out the fact that he was concerned about the word "loss" being used so frequently in connection with the price-support program. It has given me a great deal of concern. I see the word "losses" appearing a number of times in your statement, and I certainly want to recognize the fact, if it is a loss, but I fear we are creating in the minds of the nonfarm group the feeling that the farmer has become the ward of the Government.

You don't think he has, do you?

Secretary BENSON. Well, no; of course I don't.

Mr. DEANE. You don't.

Secretary BENSON. I don't want him to become the ward of the Government, either.

Mr. DEANE. The figures given us would indicate that if the price-support program reflects a loss for the years 1933-53 its total for all commodities for 20 years is \$1,226 million. I wonder if the nonfarm group realizes the fact, and I wonder if you use this figure occasionally; that since the end of World War II, industry was granted approximately \$16 billion for reconversion from war to peace to keep industrial labor employed. Keep in mind this \$16 billion for industry and labor, and \$1 billion for this 20-year period, for the farmers. We need to remind all our people of the millions and millions of dollars that were involved in firm contracts for industrial production on a cost-plus basis. What I am saying is not intended to array one group against the other.

Secretary BENSON. I understand that.

Mr. DEANE. We need to impress upon the minds of the thinking public, through the press, that the farmer has not become a ward of the Government when you consider these enormous millions and billions of dollars paid to industry.

I carry it a step further: Within recent years, \$29 billion has been given to industry in the form of quick tax amortization. Something was said a moment ago, I believe by Mr. Morse, that quick amortizations have been given to encourage the construction of storage facilities. I don't know whether the farmer figures in that amortization program for a storage bin.

Secretary BENSON. Yes, sir, he does.

Mr. DEANE. If he does, I am glad to know that. And also, in the President's state of the Union message, he had something like this to say, that a proposal or suggestion that business firms would be permitted to depreciate their capital expenditures, at a notably faster rate than has been previously allowed, without special Government permission.

Taking an additional step, when you think about the so-called loss under the farm price-support program, I fear that we are forgetting the facts as to what we have honestly done for business.

Mr. Secretary, in your statement, on page 8, you say: "We recognize the need for Federal aid to agriculture on a very broad scale when it becomes necessary."

I wonder if you would mind elaborating, Mr. Secretary, on what you mean by "on a very broad scale"?

Secretary BENSON. May I say, first, Mr. Deane, that several times, in public addresses, I have referred to the fact that agriculture is certainly not the only segment of our economy that has received subsidy or other assistance from the Federal Government, and I have pointed out some of these other groups.

I think there is justification for the Government going quite a long way during an emergency period, particularly, to induce the type of industrial production, or the type of farm production which is needed to meet a great emergency, and, of course, that was the reason why the high rigid price supports were established. That was the principal argument used.

But there is often a tendency to continue emergency measures after the emergency ends and, of course, our agriculture has become great

and efficient not because of subsidies, but because the farmer has had a maximum of freedom to use the facilities at hand in keeping with his very best judgment and in keeping with good farm-management practices.

Now, there have been many things—when I say “broadly,” I include much of the work, practically all of the work that is being done, for example, by the United States Department of Agriculture, and by the land-grant colleges, through the experiment stations and the extension services, and what is being done in the field of conservation, REA and the various other agencies. This matter of price support is only a part of the overall program for agriculture.

Sometimes I think it is emphasized beyond its importance, relative importance, at least, to the farmer.

Mr. DEANE. Right along that line, on page 1126 of the President's budget, among the so-called aids, I notice “Aids to air navigation” totaling \$80 million.

Ship-operating subsidies, \$91 million.

Navigation aids to Coast Guard, \$138 million.

International aids, economic and technical, \$946 million.

Then I notice, in 1953, current aids and special services, on the bottom of page 1121 of the budget, agriculture, \$305 million, business, \$934 million.

Now, for the new fiscal year, there is going to be perhaps a drop in aids to business by some \$300 million in view of the economy moves and the transfers of Post Office obligations to other agencies. But still, agriculture, taking into consideration these things that you have mentioned, is still far under what the business economy is receiving in the form of aids.

Now, I move to this question, and I certainly feel, Mr. Secretary, that you will not feel that I am being partisan, because I really am not. What was the date on which you entered into the purchase of butter at 90 percent of parity?

Secretary BENSON. The decision, which I made—if that is what you are referring to—as Secretary of Agriculture, was for the marketing year beginning April 1, 1953. That year expires at the end of next month.

Mr. DEANE. Do you have a figure on just what that has amounted to up to the present time?

Secretary BENSON. The total expenditures?

Mr. DEANE. Yes, sir.

Secretary BENSON. We have it here.

Mr. BEACH. The figure on butter, total purchases from April 1, 1953, through February 17 of this year, was 280,060,000 pounds, roughly.

Mr. DEANE. How long can you store that butter safely, without deterioration?

Secretary BENSON. I am not sure that we can answer that accurately because we haven't had very much experience in the storage of butter in Government hands. However, we are trying to watch it very closely, and the best judgments that we can get from those who have had some experience in the trade would indicate that we could probably store it, with a reasonable safety for a period of 1½ to 2 years, under ideal storage conditions.

Mr. DEANE. Well, how much of this butter have you sold on the on the international market, at competitive world prices?

Secretary BENSON. I don't think there has been any sold on the world market at competitive prices.

Mr. DEANE. I realize that my good friend here from Brooklyn, and his constituents, might have something to say about the fact if you moved into the world market at competitive world prices, at a figure somewhat lower than what his constituents or even mine might pay, but don't you think that that is something that you should seriously think about?

Secretary BENSON. As a matter of fact, it is something we have seriously thought about, Mr. Deane.

Mr. DEANE. What do you contemplate?

Secretary BENSON. I don't know that we are ready to announce any plan for disposal. We are working on several possible angles. But, of course, we are very anxious to get more of these dairy products moved into consumption here, in many areas where there is a need for greater consumption of these protective foods—dairy products. We think that there is not a great opportunity to move a lot of butter in competition with other countries. Normally we don't export butter. We do export some dried milk, and of course, we hope that we can expand the markets in that field, but normally very little butter moves into export.

Mr. DEANE. In other words, it is your feeling that you wouldn't be able to move any appreciable amount of this butter in the international world market at competitive prices?

Secretary BENSON. Of course, we don't know exactly how much we could move. We might be able to move some. Of course, the fact remains that what has happened, actually, is that butter has been priced out of the domestic market. The dairymen recognize that. They have been rather slow to recognize it, some of them, but I think they generally recognize it now, that it has been priced out of the market in competition with other spreads. As a result butter consumption, domestically, has declined markedly, while competing spreads consumption has increased over the same period.

Mr. DEANE. Let's move to cotton. What was the purpose of the Export-Import Bank?

Secretary BENSON. Well, you probably are in a better position to answer that than I. I understood it was to help facilitate the financing of foreign trade.

Mr. DEANE. And that policy, or the facilities of the Export-Import Bank is no longer being fully used.

Secretary BENSON. No longer exists?

Mr. DEANE. That is right. Has it been abolished?

Secretary BENSON. No; I don't think it has been abolished. It still continues. As a matter of fact, we have been working with the bank, as you may know, to provide, for instance, of cotton in foreign ports. We have urged and recommended that.

Mr. DEANE. Well, let's take cotton on the international world competitive price basis. Have you moved any of the cotton on to the world market at competitive prices?

Secretary BENSON. I can't give you the quantity, but we have moved some, and we are moving some right along. I am sure of that. And of course, we hope that we will be able to move more.

As I pointed out yesterday, I think, we did lose part of our world market when we placed a restriction on cotton to the point where we actually placed an embargo on exports.

Mr. DEANE. I know that in the previous administration, and perhaps in this one—and I don't want to array one administration or agency against the other—but I wonder if our State Department, past and present, if they are showing the cooperation that they should in encouraging the Department of Agriculture to get into this competitive world market for our surpluses?

Secretary BENSON. That is a matter of opinion, I presume. We feel that the cooperation is pretty good, and is improving, as we are working with these other agencies, and they come to understand more completely the seriousness of our surplus situation today. I think they have come to recognize that we have got to move part of this into export markets.

Mr. DEANE. This certainly is a program you should seriously consider; especially when the current budget on international aids, economical and technical, is \$946 millions.

Secretary BENSON. Could I comment on that point, first?

Mr. DEANE. Yes.

Secretary BENSON. I have a figure here now that coarse cotton continues as the Nation's most important farm export. In December of this year, the sales of cotton abroad were \$68 million, which indicates that there is quite a lot of it moving in foreign export.

Mr. DEANE. Well, I wonder if that is the reason that the price-support program on cotton shows a decided profit?

Mr. BEACH. The profit on cotton, through December 31, was approximately \$268 million as shown on the books of the Commodity Credit Corporation.

Mr. DEANE. I am glad to have that figure, Mr. Secretary. If we were as aggressive with the other crops as we have been for cotton, perhaps our surplus problem might be different.

Secretary BENSON. Certainly the cotton industry has been very aggressive in promoting its production abroad, and I am sure many of the other producers have also. I am not sure. It is very difficult to measure. But that profit which you refer to was largely due to an increase in price level. It just happened that the Commodity Credit Corporation had huge stocks when the inflationary war period came, and as a result of that, there were some profits realized.

It might have been otherwise, and it may be otherwise today unless we move a lot more of it into consumption than is being done now.

Mr. DEANE. I wonder if Mr. Beach can tell us about section 32 funds. I understand that this section provides for the use of 30 per cent of import duties to move farm products in world trade. How many dollars have been used in the last 2 years for that purpose, Mr. Beach?

Mr. BEACH. How many dollars have been used in the last 2 years?

Mr. DEANE. That is right.

Mr. BEACH. I don't have the actual figures here, but my recollection is that in the current fiscal year, and in the most recent fiscal year, a total of something over \$200 million of section 32 funds were used for all purposes.

Secretary BENSON. I might add, Mr. Deane, that we are using some of those funds now to finance these trade missions that are going into

Asia and Europe, and South American countries, to help promote the expansion and the opening up of markets for our surplus farm commodities.

Mr. DEANE. I have this final question, Mr. Chairman, and I certainly have been trying to keep my questions directed to the bill, but I don't see how we can keep from getting somewhat into the flexible price support program.

Now, if Congress does nothing, so far as legislation is concerned, we will get flexible price support on January 1, 1955, will we not?

Secretary BENSON. Yes, sir, my understanding of the 1948-49 acts, which were passed by overwhelming majorities of both parties, is that they would become operative.

Mr. DEANE. That being true, under the 1948-49 acts, new parity on all crops will be 75 percent.

Secretary BENSON. No; I don't think that is a fair conclusion at all. In the first place, the President has wisely provided setting aside two and a half billion dollars' worth of these surpluses, to be fed out over a period of years, and they would not figure in the calculations which would determine the price-support level. So it is conceivable that the price-support level, after those set-asides, may be near what they are now, and in some cases even higher than now.

I pointed out that in the case of wheat, the support level is 90, but the realized price is only 82 percent.

Mr. DEANE. So far as present agriculture legislation, and what you would recommend is concerned, Mr. Secretary, what is the basic difference?

Secretary BENSON. Well, the basic difference is that the 1948-49 legislation would become operative, which was passed, as I indicated, and was looked upon as long-time legislation for peacetime use. That would become operative. The new program would provide for this set aside which I have mentioned, two and a half billion dollars.

It would also provide for placing all the commodities on an equal basis as to the use of a modernized parity. It would provide for a transition from the old to the modernized parity, in the case of the 4 basic commodities, still using the old parity, in which there could not be more than 5 percentage point changes in any 1 year. But as to the price level itself, the support level, that would be gaged by a formula which is written in the 1948-49 legislation.

Mr. DEANE. I recall the President's farm message. Had you thought, Mr. Secretary, about using dairy products on the same basis as he recommended for wool?

Secretary BENSON. No; I can't say that we have, because we feel that the legislation which provides for discretionary support levels in dairy products, over the years will give the protection and provide the help which the dairy industry will need, and I think it will be found to be quite workable.

Mr. MORSE. May I speak to that question, sir? There are two basic differences that need to be recognized between dairy products and wool. Wool is, first of all, considered a strategic material. Congress has so expressed itself. And, secondly, it is an item where we import over two-thirds of our requirements. Whereas we are producing a great deficit, so far as our domestic requirements are concerned, of wool, we are producing more than we are consuming, of dairy products. There are two major differences.

Mr. DEANE. You don't think it would be worth while to experiment? Because I would assume that even wool might be worth experimentation.

Mr. MORSE. I would not consider it such. I can assure you that all of these were thoroughly explored in this very extensive process that we went through, in examining what was best for agriculture, in the way of a farm program.

Mr. DEANE. Thank you, Mr. Chairman.

Mr. BROWN. Will you yield?

Mr. DEANE. I am through.

Mr. BROWN. You took a mild dig at cotton.

Secretary BENSON. I didn't intend it to be a dig, sir.

Mr. BROWN. Well, I am sorry I misunderstood you. I do know, however, that the Department of Agriculture quoted prices of cotton as fluctuating in a narrow range last week, while prices increased in the 10 spot markets. Price for Middling cotton, 24.21 cents per pound. This compared with 34.11 cents a pound a week earlier, and 32.69 a year ago. Prices for Middling, 15 and 16 cotton, were 120 points above the Commodity Credit Corporation level. I don't see how you can have any loss in cotton this year.

Secretary BENSON. I hope we will not. We are certainly not hoping for losses.

Mr. BROWN. I know, but the record shows how much you made and I want to stand on that record. I don't see why you should be uneasy about it.

Secretary BENSON. I was simply pointing out, Congressman, that most of the profit which we made, if you call it profit, was made from old cotton that we acquired from the 1934 and 1937 crops, and then was sold during an inflationary wartime period, when we had a general rise in price levels. I think that is all I intended to say. That was the reason for the profit.

Mr. BROWN. I know, but you have made a profit all along. You have made a profit on the cotton you have stored now.

Secretary BENSON. Of course, only time will tell.

Mr. BROWN. I want to bring out the point that the Federal Government, instead of losing money on cotton, has made money on cotton, that brought down the losses on other commodities \$268 million.

Secretary BENSON. I hope we will not have losses this year. I am not as optimistic as you are, probably.

Mr. BROWN. I know, but we are talking about facts. Cotton now is worth 120 points above the loans you have on cotton.

Secretary BENSON. Certain grades.

Mr. BROWN. And then you asked that we curtail the acreage of cotton, which was done. I can't see why you are uneasy about it.

Secretary BENSON. Well, I don't think you should say we have asked that they curtail acreage. All we have done is to carry out the law, as far as the acreage is concerned.

Mr. BROWN. I am not criticizing that. That is right, but I am criticizing your being uneasy about cotton on account of the record of cotton.

Secretary BENSON. I am uneasy when we have a full year's supply on hand before we start production for the new year.

Mr. BROWN. We have had that for the last few years.

Secretary BENSON. Mr. Morse would like to comment on that.

Mr. MORSE. Congressman Brown, the commodity statement which has gone into the record will incorporate the other costs that have been incurred in connection with the cotton program, which you will see adds up to about a billion and a half dollars. When you get the section 32 program expenses, and the processing tax, and other costs that have gone in, the complete record is expressed, so that the direct Commodity Credit Corporation figure is not the total of which cotton has been the beneficiary.

The figure total here, for cotton, is \$1,562,900,000.

Mr. BROWN. And all expenses, too, of carrying cotton were paid by the producers. They paid the interest, they paid the warehouse charges. All of that is paid by the producers.

Mr. HAYS. Is that any different from any other commodity?

Mr. BROWN. I don't know, but I happen to know that.

Mr. HAYS. I don't think it is.

Mr. MULTER. Mr. Chairman, May I ask the Secretary some questions?

(Statement off the record.)

The CHAIRMAN. I might suggest to the committee that the Secretary has an engagement which he must keep at 12 o'clock and if we can conclude with the Secretary, his staff will be glad, I am sure, to continue.

Mr. MULTER. I will bear in mind, Mr. Chairman, what you say and I will try to be very brief. I will eliminate many of the things I wanted to ask.

The CHAIRMAN. Mr. Mumma, will you yield way to Mr. Multer?

Mr. MUMMA. I don't think my remarks would be as profound as those of Mr. Multer, Mr. Chairman, so I will yield.

Mr. MULTER. Thank you, Mr. Mumma. Mr. Secretary, I have been following with great interest the things you were saying with reference to the farm program, and I am just wondering whether or not you have in mind the possibility of—there are several ways of repealing laws. Congress can be forthright and repeal a law outright. We can let the authorization remain on the books and fail to appropriate money for it. Or the Executive can repeal the law by just doing nothing about it.

I wonder—if I am right, I may be wrong—if I am interpreting the things I have read, I would be inclined to say you are opposed to this price support program and if that is so, you should say "Gentlemen, don't give us any more money for this Commodity Credit Corporation and let the program come to an end."

Secretary BENSON. Well, of course, that is not true. I am not opposed to price supports, and secondly, I think I have been trying to the best of my ability to carry out the legislation which the Congress has passed. I expect to do that in the future whether I am in full sympathy with all of it or not. I think that is my duty and my obligation as Secretary of Agriculture, and if I don't do it, then there are ways of making changes. And I am sure if the law is not working as I try to administer it, the Congress has the right to change it and will change it.

But it will be our aim to carry out the legislation which the Congress enacts, and the President's message embodies my feeling regarding price supports and their place in a farm program, and I think they have a place. I think the Corporation is rendering a service to agri-

culture, and I would like to see it continue to render the service, even a greater service than it is rendering now.

Mr. MULTER. What was the butter price support for the year 1952, ending April 1, 1953?

Secretary BENSON. Ending April 1, 1953?

Mr. MULTER. Yes.

Secretary BENSON. It was 90 percent of parity.

Mr. MULTER. It was 90 percent?

Secretary BENSON. Yes.

Mr. MULTER. All you did was to continue the 90 percent?

Secretary BENSON. Yes, for 1 year.

Mr. MULTER. Yes, for the 1 year ending now, and then for the new year, beginning April 1954, you have announced that it would be cut back to 75 percent?

Secretary BENSON. Yes.

Mr. MULTER. What was butter selling at on the retail market during the year ending April 1, 1953?

Secretary BENSON. I couldn't give you the exact figure, but——

Mr. MULTER. Approximately.

Secretary BENSON. Approaching 80 cents a pound, I am told; 78 or 79 cents, for the top grade, that is.

Mr. MULTER. And about April 1, 1953, you had on hand, that is Commodity Credit Corporation, had in storage, about 11 million pounds of butter?

Secretary BENSON. It was a relatively small quantity. I stand corrected; it was 127 million pounds.

Mr. BEACH. That was in 1951, 2 years ago. The CCC owned no butter during most of the calendar year 1952.

Mr. MULTER. In 1953 it was one-hundred-and-twenty-seven-odd million pounds.

Mr. BEACH. Yes.

Secretary BENSON. Yes.

Mr. MULTER. That is the time the price was 78 or 80 cents a pound.

Secretary BENSON. Yes.

Mr. MULTER. Now we have on hand, or Commodity Credit Corporation has on hand, almost 280 million pounds, in storage, of butter, is that correct, and during this year the retail prices run about 72 to 75 cents a pound.

Secretary BENSON. Do you mean this current year that we are just ending?

Mr. MULTER. Yes.

Secretary BENSON. Well, the inventory figure is about right, but we don't have an exact figure on the retail price here. It has been running something nearly 80 cents. Ninety percent of parity for 1953-54 was a little lower than 90 percent of parity for 1952-53 so there was actually a 2-cent drop in price because of the change in parity.

Mr. MULTER. And I think for the first time in 15 years you have now authorized Danish butter to be imported into the country?

Secretary BENSON. No; I think I have not authorized Danish butter to be imported.

Mr. HAYS. Somebody has.

Secretary BENSON. I would like to have Mr. Richards comment on that.

Mr. RICHARDS. Mr. Multer, prior to this year, imports of butter were controlled by section 104 of the Defense Production Act, which expired, and they are now under control of section 22 of the Agricultural Adjustment Act. Section 22 of the Agricultural Adjustment Act does not permit a complete embargo so there is a small quota which Denmark and some other countries share in. I think the total quota is less than a million pounds a year.

Mr. MULTER. That is selling in New York at 89 cents a pound.

Mr. RICHARDS. I don't know what it sells for.

Secretary BENSON. It is a specialty product.

Mr. HAYS. But every pound of Danish butter coming in displaces a pound of American butter, isn't that right?

Mr. RICHARDS. I would think so.

Mr. HAYS. So the Government buys pound for pound of American butter to take the place of it. It is just as simple as that, isn't it?

Mr. RICHARDS. It is a very small quantity.

Mr. HAYS. Never mind if it is a small quantity. That is what happens.

Secretary BENSON. That is right.

Mr. MULTER. Mr. Deane asked the question about butter being moved into the international trade on a competitive basis. Is any being moved in a noncompetitive basis, that is at a low price?

Mr. BEACH. We haven't sold any butter in this fiscal year in the international trade; no, sir.

Mr. RICHARDS. There are some donations under section 416, Mr. Multer, not sales.

Mr. MULTER. I don't think anybody is going to object to those donations.

Secretary BENSON. They were in the Christmas packages, weren't they? There were some sales to the Army that went abroad, of course, as you know, and were used abroad.

Mr. MULTER. That, I suppose, strictly speaking, could be said to move into the international trade because had we not supplied it it would have been bought abroad.

Secretary BENSON. That is right, and in earlier years much of it was bought abroad. Seventeen million pounds went to the Army that might normally have been bought abroad.

Mr. MULTER. As I understand it, you are going to try to move these stored commodities into the market, into foreign market, mainly?

Secretary BENSON. Well, we would like to. Of course, we want to move them into foreign markets, and into domestic markets, too. The purpose of production is consumption, and I mentioned yesterday that one of the reasons we have strengthened our marketing services in the Department is to aid in solving this very problem. We feel there is much that can be done to expand foreign as well as domestic markets.

Mr. MULTER. We can't move it into the domestic market under existing law, except at market price.

Secretary BENSON. Except for relief and other types of distribution, school lunch and outlets of that sort.

Mr. MULTER. Excluding so-called giveaway program; and I don't say that invidiously. The giveaway program the Congress

has approved, excluding that we can't move it into the domestic market except at market price.

Secretary BENSON. I don't think that is true on perishables. If they are in danger of deterioration we can lower the price to move them.

Mr. MULTER. So one of these days you are going to get to the point with this butter where we are going to have to give it away at a very low price on our domestic market.

Secretary BENSON. We can't continue to store it, certainly.

Mr. HAYS. Why not have a 1-cent sale?

Secretary BENSON. That has been proposed.

Mr. MULTER. What is wrong with the proposal offered by the National Milk Producers Federation, to move that butter into the domestic market?

Secretary BENSON. We think it has a lot of merit, Congressman. As a matter of fact, our National Agricultural Advisory Commission studied it. They saw some difficulties in the way of it, but there was much to commend it.

Mr. MULTER. What I am getting at is this: We representatives of the big cities have always taken the position that we must help agriculture to be prosperous. Their prosperity is our prosperity and ours is theirs. My consumers and taxpayers are getting tired of paying for these products twice. We pay for them out of our tax money when we subsidize or give this money into the price support program, and then we pay for it again as consumers at the high price. I think you are doing the right thing on wool, and there we are dealing with an item that is not perishable. If you are going to do that on wool and give the wool producer the direct payment and let that move off into the market so the consumer doesn't pay for it a second time, I don't see why you do not do the same thing with these perishables. Particularly with butter. Is there an answer, sir? I would like to give it to my constituents. We want to continue to support the farm program if we can. Frankly as of this moment, we don't see how we can.

Secretary BENSON. Well, of course, you are referring to the fact that we have some of these products priced out of the markets, and to the cost and the danger of loss involved. We don't have that danger, of course, in wool. The dairy industry doesn't want that type of program, in the first place, and I think the flexible program, which is recommended for dairy products, will pretty well meet the needs of the industry. And those we consulted with in the industry, and out, seem to have that opinion.

Mr. HAYS. Whom do you mean by the dairy industry, Mr. Secretary? That is a vital thing.

Secretary BENSON. I know it is. We have consulted with a lot of people.

Mr. HAYS. But the people who benefit mostly by the kind of program we have now are the processors of dairy products, aren't they? I am interested in the farmer, the prime producer.

Secretary BENSON. So are we.

Mr. HAYS. And I think that is who the Department of Agriculture should be and probably are interested in.

Secretary BENSON. That is our major interest, the producer, of course.

Mr. HAYS. Who is the dairy industry? When you use that term, who is the dairy industry? I am not trying to start an argument, but I want to know for the record, so we will know whom we are talking about.

Secretary BENSON. When we refer to the dairy industry, we start with the farmer. That is the major part of the industry. But we also consult with other segments of it. Primarily we refer to the farmers and their representatives.

Mr. HAYS. You think the farmers would not want a program that would put more money in their pockets and less in the pockets of the processors?

Secretary BENSON. He would like to get as much money in his pocket as he can, but he doesn't want to give up his freedom of operation and succumb to Government regulation and control to get the money and doesn't want a program that will price his commodity out of the market.

Mr. HAYS. I am not familiar with your wool program, but are you going to do that to these people producing wool, these dire things you say?

Secretary BENSON. Well, the wool situation, as Mr. Multer pointed out, is different. The Congress determined that it is a strategic item and they have set a production goal of 360 million pounds and in order to reach that goal there is going to have to be some help, to get that production. If the Congress determines they don't want a wool industry, that is one thing. If they want it because of its strategic importance, then it is a question of how we are going to get the production goal they have set.

Mr. HAYS. I can't quite reconcile the fact that it is good for one, whether it is a strategic product or not, and is not for another. I think the program will work with all commodities or with none.

Secretary BENSON. Of course, the dairy industry, through the years, has worked out very well, without a direct subsidy program. The price supports tend to level out marked fluctuations up and down, through storage, and the dairy industry can stand on its own feet, through the years. It has done so. And it has done a good job.

Mr. HAYS. I agree with you. But as I pointed out yesterday, and I don't want to monopolize the time, you have now a situation where you are supporting at 90 percent of parity the things the dairy farmer must use to produce that milk and you have cut him to 75. That is the crux of the situation.

Secretary BENSON. Yes, sir.

Mr. HAYS. I think the dairyman will go along with you if you put their product on the parity of what they have to buy.

Secretary BENSON. I think that is true. That is what the program which the President recommended will do.

Mr. OAKMAN. Will the gentleman yield?

Mr. HAYS. I am sorry, but I don't have the floor.

Mr. MULTER. If the chairman has no objection, I yield.

Mr. OAKMAN. In our town, milk is around 24 cents a quart, and they tell us that 6 cents of that is just a delivery charge. Now, I don't know how you are going to take any away from that to give any more to the farmer. Maybe the farmer gets 6 cents. Maybe the total delivery cost is 6 cents. Maybe you are talking about the 12 cents in between. I don't know how you are going to cut that delivery.

Mr. HAYS. I have a lot of friends processing milk. I have argued with them that milk industry has done very little in the past 50 years to modernize its methods of getting the product from the producer to the consumer. They still go in for this quart-a-day delivery, for instance, which they did 50 years ago.

Mr. OAKMAN. They deliver every 2 days now.

Mr. HAYS. Well, they could deliver less frequently. That would be one thing. But they want to stick to this quart-a-day business, in many places, or 2 quarts a day, and when you have some fellow come along with an idea of getting more for less, that is the trouble. They keep saying there is a surplus of milk. If you read the records of people who are turned down for physical reasons, these 18-year-olds, turned down by the Army, I think you will agree that milk is a strategic commodity, too.

Mr. OAKMAN. But then, Mr. Chairman, we talked about that processor and I know in Detroit and Toledo, a substantial number of the smaller dairies, which are the processors, I take it, have gone broke.

Mr. HAYS. That is right, I agree with you.

Mr. MULTER. You just made the point I was going to ask the Secretary, which is this: Aren't we supporting the prices in the wrong place, so far as the dairy industry is concerned? Instead of giving the money to the processor, we should go to the source and see that the producer gets the price support, so that that milk is moved as milk to the children of the country who need it and can't afford to buy it today.

Secretary BENSON. Of course, there are some new factors that have come into the picture that will tend to correct a part of this. For example, there is an increasing use of powdered milk, which can be reconstituted, and there is a greater use of the larger containers, which has been mentioned. Certainly there is much we can still do to increase the efficiency of the marketing of milk, as has been done in other commodities. We can't deal with them all on the same basis. We must recognize commodity differences and milk is one of the very complicated ones when it comes to marketing. I agree there is room for greater efficiency in marketing and distribution.

Mr. MULTER. There is something basically wrong with this program, either in the law, or somewhere along the line. Somebody must come up with a solution to it.

When you had a higher price on the market, on the retail market, we had less stuff accumulated. The price drops, and instead of it going into the market it goes into CCC warehouses. You said it was priced out of the market—more of it went into the market at 80 cents than at 75 cents. At 75 cents, it is going into storage where it will eventually spoil or be given away.

Secretary BENSON. Of course, that is not wholly true, but there were some other factors this past year. For example, one-third of our total beef supply comes from cull dairy cows. The price of beef cattle was relatively low this year. That discourages culling. Anyone who has been in the dairy business knows that. You hold back your cows if you think the beef price is going up in a year or so and you milk the cow for an extra lactation period, maybe two.

That has been a very important factor this past year, with low beef prices. Now, with beef prices strengthening considerably, we

anticipate there will be more culling this coming year. No one knows how much, of course, but that is an important factor in the very point you mentioned.

Mr. HAYS. Will you yield right there?

Mr. MULTER. Yes.

Mr. HAYS. Mr. Secretary, there is one point I would like to bring out and then I am through as far as this butter thing is concerned. You support butter. Out in my area the milk companies buy milk on a 4-percent basis, and then they pay a premium for butterfat, when the item you really want to produce is milk, but not butterfat. But they pay the producer a premium for every tenth of a point above 4 percent that he produces that milk, and for every tenth of a point below, they penalize him. So that you have got the thing pegged on the butter and you put a premium on producing milk with a high butterfat content, which is hard to sell; women don't want to buy it because they think it is fattening and the whole thing hinges on this butter-support program. It ought to be a milk-support program.

Secretary BENSON. I have a lot of sympathy for your comment. Of course, under the law, however, we are required to provide price support for milk on a butterfat basis.

Mr. HAYS. Then come in with some recommendations for changing the law.

Secretary BENSON. I think they will be coming.

Mr. Chairman, I have a meeting with other Members of the Cabinet at 12:15.

The CHAIRMAN. I think we should meet the Secretary's desires. After all he had to leave a Cabinet meeting early this morning.

Secretary BENSON. Probably we were at fault in the planning. We anticipated only one morning. I have made some commitments which cannot very well be adjusted.

Mr. MULTER. Mr. Chairman, I am awfully sorry that the Secretary had to leave. I want to make this statement now. I am going to address some of my questions to him in writing and then incorporate it in our record if I get the answers back in time.

I want to say now that I want the record to show that I was going to pursue the question of certificates of interest. In my opinion, as one lawyer, I think that what has been done there is a violation of the law. I am going to set forth the facts and the relevant law in my questions, propound them to the Secretary and ask for his answer for the record.

With that I have just one other question, and that is this:

Mr. Morse, can you prepare for us, and make part of this record, a compilation which will show whether the big farmers or the little farmers are getting the benefit of this price-support program?

I have been told that of the farmer population about 5 percent get 85 percent of the price support income. I would like to know whether it is fact that the small farmer is getting no benefit from this price-support program?

Mr. MORSE. We would be glad to supply that. Some of those figures are in the President's statement, pointing out that there are about 2 million farmers that get the primary benefit, as against about 3½ million who get little or no benefit, and even pay some of the costs of the price support.

Mr. MULTER. Can we have a breakdown as to the amount that a farmer gets, with a 28-acre farm, and a man with a thousand acre farm? I think you ought to be able to show that.

Mr. MORSE. We will be glad to prepare a statement for the record.

With reference to your question whether the big farmers or the little farmers are getting the benefit of this program, we are inserting a statement which indicates a wide margin between the average size loan and the largest loans made on 1953 crops—corn, cotton, and wheat.

Comparison of largest loans made by CCC on 1953 crop corn, cotton, and wheat with estimated average loan, by States

State	Corn		Cotton		Wheat	
	Average 5 largest loans	Average loan	Average 5 largest loans	Average loan	Average 5 largest loans	Average loan
Alabama.....	\$8,334	755	\$100,712	\$318	\$9,601	\$1,343
Arizona.....			231,209	1,378		
Arkansas.....	1,809	1,378	192,517	407	67,931	3,475
California.....			649,335	1,731	83,735	9,500
Colorado.....	6,628	2,031			151,803	3,152
Delaware.....	15,029	3,009			6,646	1,251
Florida.....	4,308	775	5,391	362		
Georgia.....	6,686	918	27,516	309	14,783	988
Idaho.....	2,721	1,453			114,934	3,003
Illinois.....	88,177	2,025			61,254	1,526
Indiana.....	85,291	2,307			31,457	1,204
Iowa.....	98,535	2,154			21,747	1,147
Kansas.....	19,337	1,574			106,963	1,525
Kentucky.....	27,588	2,302	12,801	970	17,356	1,312
Louisiana.....			74,823	452		
Maryland.....	10,171	2,490			15,313	975
Michigan.....	17,822	1,404			22,382	1,283
Minnesota.....	47,816	1,843			39,192	1,194
Mississippi.....	891	778	479,535	372	19,565	2,786
Missouri.....	50,578	1,994	153,191	395	39,668	1,695
Montana.....					176,714	4,000
Nebraska.....	43,925	2,487			75,961	2,708
Nevada.....					34,179	7,500
New Jersey.....	20,088	2,800			20,393	1,880
New Mexico.....			144,835	500	26,680	2,000
New York.....	9,696	1,487			15,254	1,126
North Carolina.....	14,360	610	42,438	403	14,234	765
North Dakota.....	7,064	720			71,253	2,890
Ohio.....	53,475	1,961			34,648	1,208
Oklahoma.....	1,750	857	31,932	229	41,161	2,367
Oregon.....	4,321	2,173			176,538	6,293
Pennsylvania.....	11,644	1,389			12,370	818
South Carolina.....	9,298	780	87,880	368	14,258	918
South Dakota.....	25,554	1,500			65,060	1,400
Tennessee.....	8,748	1,450	42,655	299	21,911	1,000
Texas.....	1,855	750	219,440	337	72,548	1,900
Utah.....					25,172	2,800
Virginia.....	10,046	2,405	3,947	451	19,421	862
Washington.....	10,879	2,593			219,968	10,500
West Virginia.....	7,563	2,559			3,310	1,347
Wisconsin.....	27,607	1,450			5,659	1,200
Wyoming.....					35,352	4,266

Mr. PATMAN. I ask unanimous consent for the Secretary to file an answer to the statement I am filing with regard to these certificates.

The CHAIRMAN. That may be filed.

STATEMENT OF HON. WRIGHT PATMAN

I request Secretary Benson to file a breakdown by years from October 1933 to date showing:

1. Amount of certificates or notes held by local banks or private banks under agency lending agreement.

2. Amount of certificates of interest, notes, or other obligations sold to private banks to finance the CCC program.

The last 3 years—1951, 1952, and 1953 to date, include interest rate paid in each classification.

3. Amount carried by Treasury.

(The information requested follows:)

U. S. DEPARTMENT OF AGRICULTURE, COMMODITY CREDIT CORPORATION

TABLE I.—*Borrowings or guaranteed obligations to purchase outstanding at end of fiscal year*

[In thousands of dollars]

Fiscal year	Direct borrowings				Guaranteed obligations to purchase		
	RFC	Public	Treasury	Banks	Individual loans	Cotton certificates of interest	Other certificates of interest
June 30, 1934	201,993						
June 30, 1935	148,216						
June 30, 1936	162,333						
June 30, 1937	47,347						
June 30, 1938		206,179					
June 30, 1939		206,174	10,000		392,923		
June 30, 1940		406,794	25,000		231,421		
June 30, 1941		696,252	140,000		115,036		
June 30, 1942		701,054	400,000		116,958	52,629	
June 30, 1943		411,596	1,950,000	107,265	251,427	178,426	
June 30, 1944		411,596	900,000	277,017	89,550	299,974	
June 30, 1945			1,591,000	451,728	80,328	181,414	
June 30, 1946			1,301,000	281,343	9,025	5,172	
June 30, 1947			510,000	40,330	37,510	1,082	
June 30, 1948			440,000	36,250	13,483	3,710	
June 30, 1949			1,669,000	9,353	345,970	178,434	
June 30, 1950			3,193,000	201	350,487	92,826	
June 30, 1951			2,555,000		55,049	266	
June 30, 1952			1,970,000	44	47,130	11,270	
June 30, 1953			3,612,000		287,967		
Dec. 31, 1953			3,948,000		1,038,950	867,353	351,882

TABLE II.—*Borrowings or guaranteed obligations to purchase incurred during the fiscal year*

[In thousands of dollars]

Fiscal year	Direct borrowings				Guaranteed obligations to purchase		
	RFC	Public	Treasury	Banks	Individual loans	Cotton certificates of interest	Other certificates of interest
1934	(1)						
1935	(1)						
1936	(1)						
1937	(1)	71,565					
1938		266,174					
1939			10,000		382,923		
1940		406,794	215,000		(1)		
1941		289,458	150,000		(1)		
1942		411,596	518,000		(1)	52,629	
1943			2 2,775,000	153,061	(1)	178,426	
1944			3 2,296,000	424,580	(1)	299,974	
1945			4 3,577,000	539,424	(1)	181,414	
1946			5 2,516,000	311,716	(1)	5,172	
1947			1,466,000	217,177	(1)	1,082	
1948			715,000	124,164	144,458	3,710	
1949			2,497,000	159,810	1,157,174	178,434	
1950			2,552,000	93,362	1,595,487	92,826	
1951			724,000	70,028	633,545	266	
1952			610,000	59,911	613,979	11,270	
1953			2,216,000	1,534	1,620,283		
1954 (1st 6 months)			2,002,000		1,383,583	6 936,127	6 357,246

¹ Data not available on volume of operations in this form. Outstanding obligations are reflected in table I.² Includes 1 borrowing of \$1,250 million which was not utilized in operations and which was repaid in a few days.³ Includes \$900 million borrowed to refinance outstanding obligations and 1 borrowing of \$1,196 million which was not utilized in operations and which was repaid in a few days.⁴ Includes \$1,565 million borrowed to refinance outstanding obligations.⁵ Includes \$801 million borrowed to refinance outstanding obligations.⁶ Of these amounts \$449,127,000 of cotton certificates and \$357,246,000 of other certificates represent refinancing of loans originally financed by lending agencies or borrowings from Treasury.

INTEREST RATES PAID TO PRIVATE LENDING AGENCIES ON LOAN OBLIGATIONS PURCHASED BY CCC, JULY 1, 1950, TO DECEMBER 31, 1953

The rate of compensation paid to private lending agencies from 1941 through loan operations for the 1951 crops was 1.5 percent per annum. This rate of compensation included payment for services as well as interest on money.

On loan operations for the 1952 crops, the total compensation was increased to a rate of 2 percent per annum, which also included compensation for services as well as interest on money.

On loan operations for the 1953 crops, the compensation was increased to 2.5 percent per annum including payment for services and applicable to 1952 crop loans during the extension period for such loans. On September 22, 1953, this rate was adjusted upward to 3 percent of which 2.5 percent per annum was for interest on money and 0.5 percent per annum was payment for services.

Interest rates paid to Treasury—July 1, 1950, to Dec. 31, 1953

	<i>Percent per annum</i>
July 1, 1950 to June 30, 1951	1.250
July 1, 1951 to June 30, 1952	1.500
July 1, 1952 to Feb. 28, 1953	2.000
Mar. 1, 1953 to June 30, 1953	2.125
July 1, 1953 to Sept. 30, 1953	2.500
Oct. 1, 1953 to Oct. 31, 1953	2.375
Nov. 1, 1953 to Nov. 30, 1953	2.125
Dec. 1, 1953 to Dec. 31, 1953	2.000

Composition of outstanding obligations with Treasury at Dec. 31, 1953

At 2.500 percent per annum	\$2,657,000,000
At 2.375 percent per annum	312,000,000
At 2.175 percent per annum	238,000,000
At 2.000 percent per annum	741,000,000
Total outstanding at Dec. 31, 1953	3,948,000,000

INTEREST RATES PAID ON DEMAND BORROWINGS FROM PRIVATE BANKS—JULY 1, 1950 TO DECEMBER 31, 1953

The use of this type of financing in 1951, 1952, and 1953 represented the liquidation of operations involving 1950-crop wool and operations involving 1950- and 1951-crop peanuts. The rate of compensation paid on borrowings for these wool operations was 1.5 percent per annum and on the peanut operations 1.25 percent per annum. The compensation included fees for services and interest on money and the difference in rates was due to the difference in amount of services required.

INTEREST RATES PAID ON CERTIFICATES OF INTEREST JULY 1, 1950 TO DECEMBER 31, 1953

The rate of interest paid on certificates of interest in cotton was 1.5 percent per annum until the 1953 loan program.

With the beginning of the 1953 crop cotton-loan program, certificates of interest issued to lending agencies which originally disbursed the loans bore interest at the rate of 2.5 percent per annum.

Certificates of interest issued on October 28, 1953, against a pool comprised of loans on grains and commodities similarly handled bore interest at the rate of 2.5 percent per annum.

Certificates of interest issued on December 17, 1953, against cotton loans placed in a central pool bore interest at the rate of 2.25 percent per annum.

Certificates of interest issued on February 2, 1954, against both cotton and grains bore interest at the rate of 2.125 percent per annum.

Mr. MUMMA. Mr. Chairman, I have so many notes here I don't know where to start, but I do think that if we think talk is cheap we should realize it is very expensive. We have been spending a million and a half dollars since we have been talking here, for these storage facilities. We are talking about bins, and ships, and everything, and my point is this: The basic facts here are, first, that there is too

much land being devoted to growing products of which we have an overproduction.

Secondly, as soon as you start to solve your problem you tramp on somebody's toes, whether it be the Danish fellow with the butter, or the Venezuelan with the oil.

My question to you, about which I think something ought to be done, is this: Can we make synthetic rubber out of this wheat? I know we can, but what would be the price differential? We are going to waste a lot of this money anyhow.

The chairman suggested how about putting it in the gas tanks of automobiles. I know the Germans used wood alcohol for a while. Have we any definite project for getting rid of some of that that way or would it be possible?

Mr. MORSE. It would be quite possible to do so. We have been reluctant to take the losses and to move in the direction of using items that have been grown, produced, at a cost for food use, and where there is food need, until we were certain that we would not have the mechanism to move it into food use, which is a much higher use.

Mr. MUMMA. Yes; but it is spoiling all the time.

Mr. MORSE. Well——

Mr. MUMMA. The wheat is. And they wouldn't spoil it for alcohol if it was unfit for human consumption.

Mr. MORSE. One of the moves that we made in coming into office was to start rotating stocks, and we are closely watching these stocks, and rotating them, with the idea of keeping them in condition.

We do not have them completely on a current basis, but, with storable items, such as wheat and corn, by rotation of stocks they can be kept in condition.

Mr. MUMMA. If I have a criticism of your testimony it is all along that line. All your efforts are directed toward doing this, doing that, everything except getting rid of it in some markets where I think you can.

Mr. MORSE. I am sorry we have left the wrong impression.

Mr. MUMMA. Well, I have four pages here of it. All this has been everything except getting rid of it where it won't hurt anybody else.

Personally, look at potatoes. There was a surplus of potatoes. We gave somebody in Philadelphia a contract for making potato alcohol and potato flour. Potato alcohol is no different from wheat alcohol. I don't know. Can it be gotten rid of this way, or not?

Mr. MORSE. If we are willing to take the loss on these, and to use food products for something other than food, we can get rid of the supplies.

Mr. MUMMA. Well, I don't think the American people would object. It is just a question of time until you are going to have to waste a lot of it anyhow.

Isn't this true, that there are some countries in the world where you can't give butter away because they don't have the refrigeration to use it?

Mr. MORSE. Yes, sir; when you get into perishable commodities it is difficult to move them into some countries. Also you run into the fact that they are not accustomed to using certain items, and that is part of the market development that we are undertaking.

If we get the flexibility which the President has recommended, and the liberalization for disposal, which is part of the recommendation.

Mr. MUMMA. Liberalization?

Mr. MORSE. Yes, sir; for disposing of products, in keeping with his message to Congress. We can move these products into primary uses, without spoilage, and eventually get production and consumption into balance.

Mr. MUMMA. Yes, but you have got to do something before the next crop starts coming in. That is one of your worries, too. I would certainly like to see something done, or a good reason why it cannot be done, in getting this wheat moved.

Mr. MORSE. I am very much interested in your discussion.

Mr. MUMMA. Will you try to get something on that?

Mr. MORSE. Yes, sir.

(The data requested follows:)

DIVERSION OF SURPLUS GRAIN INTO INDUSTRIAL USES

The domestic use of grain in other than feed, food, and beverage outlets is quite small. A few million bushels of grain are used each year in the manufacture of ethyl alcohol which is denatured for industrial use. Possibilities of really large scale diversion of grain to industrial uses also involve its conversion into ethyl alcohol.

In 1953, United States production of ethyl alcohol for industrial use was equivalent to about 225 million gallons of pure alcohol. Most of this was manufactured from blackstrap molasses or was produced synthetically. If this quantity of alcohol were produced from corn, about 90 million bushels would be required.

Ethyl alcohol has been used as an additive to gasoline in a number of foreign countries, and experimentally in this country. Addition of moderate percentages of alcohol increases the quality or octane rating of the gasoline. Special devices have been developed which inject alcohol into an automobile engine at the particular times when maximum power is needed. Alternatively, alcohol can be blended with gasoline in the fuel tank without requiring a special injection device.

Conceivably, very large quantities of alcohol could ultimately be used in motor fuel. However, methyl and isopropyl alcohols, synthetically produced, seem to function about as well as ethyl alcohol for this purpose and would compete with it. Assuming that the use of ethyl alcohol as a gasoline additive did expand substantially, this expansion would most likely be based on blackstrap molasses and on synthetic production. A sizable subsidy would be required to make grain a competitive raw material for production of ethyl alcohol. Under some circumstances, this subsidy might be weighed against the alternative costs of storing surplus grain for an indeterminate period. Assuming byproducts values cover processing costs and considering the present price of alcohol at refineries of approximately 43 cents per gallon, wheat would be worth about 89 cents per bushel and corn about 90 cents per bushel as raw material for alcohol production.

The widespread introduction of alcohol-gasoline blends would present complex marketing problems. The use of jet injection devices on existing motorears at the present time is very limited. Large increases in the use of such devices might have to wait upon their adoption by some motor car manufacturers as a standard feature.

The Department of Agriculture has conducted considerable research in this field and is keeping in close touch with possible commercial developments. However, it does not seem probable that this outlet can be developed to large dimensions over the next 2 or 3 years. It cannot be counted on to make a major contribution to the disposal of our existing grain surpluses.

Mr. MUMMA. Do you have a big department that could work on getting rid of this stuff? We have two of these synthetic rubber plants that are in storage, you might say. I don't know, probably the minute you start to make synthetic rubber the British will be over here saying they cannot sell the natural rubber, but I certainly would be happy if I could have said something here to stir you fellows up to getting rid of this stuff.

Thank you.

Mr. DEANE. Mr. Chairman, I ask unanimous consent that there be inserted in the record of these hearings, all of page 5 of Economics Indicators for the month of February 1954. This reveals, in graph form, and in figures the prices received and paid by farmers for the period 1949 to January 15, 1954.

The CHAIRMAN. Without objection, that may be done.

Mr. DEANE. Mr. Chairman, I would like for this table to appear in the record where I was questioning the Secretary on prices paid by farmers.

The CHAIRMAN. That may be done.

(The document referred to appears at p. 70.)

The CHAIRMAN. Mr. Hays.

Mr. HAYS. Mr. Morse, you say if you get this flexibility—I don't know how you put it exactly, but you gave me the impression that if you get this flexibility that is going to solve a lot of your problems.

Mr. MORSE. Yes, sir.

Mr. HAYS. I will tell you what I think is going to happen and then you can comment. If you get the flexibility, and you cut your support price down to 75 percent, that farmer is going to plant that much more of something else, maybe he will be limited on the particular crop, but he is not going to take a cut in his income if he can help it, so he is going to produce something else, and you are going to get more production because he is going to try to make a living and keep his income from being cut.

I will tell you what you are going to have in dairying. If you have a fellow who is milking 40 cows, and you cut him down to 75 percent of parity, he is going to try to milk 50. So he will have the same income next year that he had last.

What about that?

Mr. MORSE. That may be the short-run effect on some farms. The long-term effect, and this is not an opinion, it is a statement of fact, is that production tends to adjust to what the market needs and the long-run effect will be that farmers will get more income, they will manage their farms better, and their net income will be increased.

I used the spectacular example yesterday of the situation that we have now, of a housewife paying at the rate of 120 percent of parity for bacon and ham, and we have all of this corn in storage.

Mr. McCARTHY. Would the gentlemen yield at this point?

Mr. HAYS. I yield.

Mr. McCARTHY. I believe the Secretary said that the support price on corn is running around 80 percent.

Mr. HAYS. No, he said the support price is 90 percent and corn is selling actually at 80.

Mr. McCARTHY. The actual effect of it in the market is that it is around 80 percent.

Mr. MORSE. Yes, sir; the fallacy, of course, is treating corn as a cash crop.

Mr. McCARTHY. I am not arguing that point, but as I understand you, you say the high price of pork is due to the high price of corn, and the Secretary says that corn is bringing only about 80 percent of parity, yet you say that corn is responsible for 120 percent of parity on pork. How low are you going to have to reduce the price of corn to bring pork down to 100 percent of parity?

Mr. MORSE. The inducement is in the direction when the farmer has the choice of storage for Government support prices.

Mr. McCARTHY. How low do you estimate you are going to have to reduce the price of corn to bring pork to a hundred percent of parity, which seems to be your objective?

Mr. MORSE. With flexibility in farming operations, and farming has been my business, and I know from 26 years in managing farms what farmers tend to do, the response that you would get would be that you would bring both corn and hogs nearer to the hundred percent level. It is balance that we want. Now, you never get a perfect balance and maintain it. You will get an overproduction or an underproduction of hogs temporarily. But you will hold both of them, with a flexible program, closer to the hundred percent, than we now have, under this present situation.

Mr. McCARTHY. Do you mean that if we had a program which was flexible that the cost of corn would rise, and that would have the effect of lowering the price of pork?

Mr. MORSE. The long-run effect would be——

Mr. McCARTHY. That is a new economic theory to me, but I hope you can make it work.

How long a run would this take?

Mr. MORSE. That will depend upon seasons, it will depend upon prices of livestock, poultry, and milk products.

Mr. McCARTHY. Well, then, it is not a fact that it is a prospective judgment that you make, that your program will raise the price of corn and lower the price of pork?

Mr. MORSE. When you get flexibility in the economy—and that is the recommendation in this agricultural program—you tend to get equalizing effects. I have used corn and hogs as an illustration—more corn will be converted into pork which in turn will move into consumption.

Mr. McCARTHY. I hope it works out. Thank you.

Mr. HAYS. I hope you are right on that, Mr. Morse. But I would like to point out a fallacy in your statement. You said that during the depression there were a lot more farm products produced than the market could stand. That brought about a demand for Government interference. So your statement doesn't stand up in the light of historic facts.

Mr. MORSE. I am not talking about a depression program. We have come through the most prosperous year that we have ever had.

Mr. HAYS. Yes, but as soon as things start tapering off, the need for this program seems apparent and surpluses start piling up. Sure it is a wonderful program in prosperous years. We got rid of this surplus cotton because we had a war, but if we don't have a war what are you going to do with the supplies you have on hand now?

Mr. MORSE. If we do not move the products into consumption when we have prosperity in this country what shape would we be in if we moved into a recession with this accumulation?

Mr. HAYS. I am not quarreling with you on that. I agree with you on that. But I want to know what we are going to do about getting it into the economy. What are you going to do about butter? You say you have given a lot of thought to it. I am for thinking but sometimes I think we have too many thinkers around Washington and not enough doers. You have had a year to think this over. What concrete suggestions do you have? I am interested in that.

Mr. MORSE. We have several suggestions and proposals before us, as the Secretary has indicated. There has not yet been, in the instance of dairy production, agreement on the best approach to the disposal of these accumulated surpluses. The price adjustment that has been made, in the support price, will be of help.

Mr. HAYS. But not much; 7 or 8 cents a pound won't help much.

Mr. MORSE. We are getting a difference of opinion on that.

Mr. HAYS. Would you think this would help, if we were to change the law where it says "Support manufactured milk and butterfat" to just say "Support manufactured milk and processed dairy products"? Do you think that would help, to get away from the butterfat?

Mr. MORSE. If you get into that provision of the law, as the Secretary indicated, we would have some recommendations to make.

Mr. HAYS. Well, I hope that that will be one of the recommendations.

Now let us go back to this matter of bins. I am a little interested in that. I have a notation here that United States Department of Agriculture, last July, issued a statement that they had awarded a contract for the purchase of 89 million plus, bushels of grain-bin capacity. Is that approximately right?

Mr. MORSE. Yes, sir; it was later increased to something over 96 million bushels capacity.

Mr. HAYS. Then I have a statement here that you made out at Des Moines, Iowa. You said:

I fear that if the Government must resort to buying bins and putting them up to store corn we will have to look at them in the future as monuments to the failure of free enterprise.

Do you still feel that way about it?

Mr. MORSE. Yes, sir.

Mr. HAYS. But you went ahead and bought them anyhow?

Mr. MORSE. Yes, sir.

Mr. HAYS. That is a kind of an anomalous situation, is it not?

Mr. MORSE. We are operating the Commodity Credit Corporation under a law which says that these loans shall be extended to farmers, and that if they don't redeem the products the Government shall acquire them. It is a program to help stabilize the agricultural economy. When it was clear that farmers would not be prepared to store their grain and would not construct sufficient storage, and when it was clear that the commercial storage was not existent and would not be constructed, we did what we felt was sound in the interests of agriculture, and that was to construct more storage facilities at Government expense.

I supported that action, and, if necessary, I will support it again.

Mr. HAYS. Again this year?

Mr. MORSE. Yes, sir; to help stabilize the agricultural economy under the laws under which we are operating.

Mr. HAYS. If we have a big crop this year we will build more bins?

Mr. MORSE. If you have a better answer we would like to have it brought forward.

Mr. HAYS. Well, I don't have all the answers, but I have some suggestions.

Mr. MORSE. There is a point that I would like to make—and I am very glad that this is going into the record. I was widely misquoted,

saying that it would be "stupid" to build more storage. I did not make that statement. I believe you have correctly quoted me.

Mr. HAYS. My quotation is correct?

Mr. MORSE. Yes, sir; and I am glad to get it into the record and I appreciate it very much, sir.

Mr. HAYS. I am glad that it is right. I want it that way.

Mr. MORSE. I insisted that the meeting in Des Moines be held last Spring. We brought in representatives from six States. The primary purpose of that meeting was to lay before leadership of these six States the fact that it was to the profit of farmers to extend the building of storage on their farms. They could store their grains and increase their profits by farm storage. That was the strong appeal. We pointed out that there is instance after instance where farmers have put up storage, and in 2 or 3 years have paid for their bins and cribs, and still have their bins and cribs left.

That was the primary purpose, to carry that message back through the extension service and other agencies, to try to get storage expansion on the farms.

Our men went from there to Omaha, and sat down with the people in the commercial storage business and said "Now, we have made the appeal to farmers. Leadership from these 6 States are going back to try to get farmers in their own self-interest to expand their storage. We fear that is not going to be enough, what can you people who are in the commercial storage business do?"

We are going to have to use a similar approach this year.

Mr. HAYS. Did those people get some certificates of amortization on the storage they built?

Mr. MORSE. On the farms?

Mr. HAYS. I am talking about——

Mr. MORSE. The others, too; yes, sir.

Mr. HAYS. Well, that was a subsidy.

Mr. MORSE. The inducement to get commercial storage expanded has been twofold. First, the tax amortization, which has been provided, a step-up in amortization.

The other, the occupancy guaranty.

Mr. HAYS. That amortization is really in effect a subsidy, isn't it?

Mr. MORSE. No.

Mr. HAYS. It has the same effect as one.

Mr. BEACH. No, it postpones the date when they will pay the income tax they would ordinarily pay.

Mr. HAYS. If you let me write off my business automobile in 1 year instead of 5 years that is a subsidy, because I will buy a new one next year and write it off, too.

Mr. BEACH. You can't buy a new elevator next year though. That is the difference.

Mr. HAYS. You can if you have the capital. It is a subsidy. Everyone agrees it is. The people who get it agree it is a subsidy. They just like to keep it going.

I have just one more question, and that is back to this: Are you familiar with the so-called Gelbach plan, in which a man named Gelbach out in Illinois presented an entirely new approach to this farm program?

Mr. MORSE. I don't recognize it by that name.

Mr. HAYS. That you encourage farmers to raise crops which will enrich the soil rather than encourage them to plow up their soil and put in a crop which depletes it.

Mr. MORSE. Well, there have been any number of such proposals examined, and the President's recommendation to Congress has a section dealing with diverted acreage, and we are already encouraging conservation use.

Of course, there again you are talking about one of the results of the program under which we are operating, in that it invites soil-depleting practices.

Mr. HAYS. I would like to interrupt you right there to say that I am not criticizing you particularly for that because I have made the same criticism about the program under the previous administration. I am being consistent.

Mr. MORSE. Yes, sir; thank you.

There, again, we are not going to cut the profits and the stability of the farmers in encouraging them to make improper use of their land, and I am sure we would agree heartily on that.

Mr. HAYS. I have a lot more questions I would like to ask but I don't like to monopolize the time.

The CHAIRMAN. Mr. McVey.

Mr. McVEY. Mr. Chairman, I don't think I shall take 5 minutes, but I should like to preface my remarks with some things which are not germane to the work of this committee right now. There are three of us down at this end of the table, and I think I can safely say we are pretty well satisfied with the way this committee is being operated.

I came here from the Committee on Government Operations. While I had very much respect for that committee, I was very much impressed with the decorum in this committee. We do have disagreements but I think they are friendly, and I think you are very considerate in all cases.

I want to congratulate these men who represent the Department of Agriculture. They have a difficult job to do. They are trying to carry out laws which have been passed by the Congress of which we are members, and they are having some headaches in trying to do that.

If there is something wrong with these laws I think it is up to us to try to correct the laws, and to appreciate the work these men are doing, who are trying to support the legislation which we have already passed.

Now, getting back to this bill, I want to ask one question: There is a movement among farmers' unions which may not have come to the attention of the Department as yet, but which probably will, for an increase in the amount of cream that is used in milk. It is their feeling—they have the percentages pretty well in mind—that if that amount of cream is slightly increased it will drain off the market this surplus butterfat which is causing so much trouble to the Department of Agriculture at the present time. I don't have those figures with me, but they are going to be sent to me. However, it seems to me that they have a point which is well worth considering:

Mr. Hays may not like that too well, but I rather think that the women who are afraid of gaining weight, Mr. Hays, don't drink much

milk anyway. But the children need the additional butterfat in milk and I think it would be good for them.

Mr. HAYS. I agree with you. The only point I was making is that the way it is set up it encourages butterfat production. If they put more of it in milk, certainly I agree with you. But you know what they will do when they get 4-percent milk, some of these processors cut down to 3.5 and use the other half of 1 percent to make it into butter and sell it to the Government.

Mr. McVEY. That is what is causing the trouble.

One other point: This arises from a comment by our colleague Mr. McCarthy, about the hog situation. I was talking to a farmer about 10 days ago, and he was buying corn and selling hogs constantly, and making a lot of money. He had no complaint about anything. He sold his milk but he is interested in making money, by buying corn and selling hogs. Now, if there are many farmers who do that sort of thing there will be a tendency to equalize that situation. If many farmers buy corn and sell hogs you are either going to bring the price of hogs down or the price of corn up. There will be a tendency to equalize those prices. That is just one problem we have which you have rightly brought out, Mr. McCarthy. I think there are situations existing which may help that.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. O'Hara.

Mr. O'HARA. Only a few questions.

I wish to clarify this in my mind. This is merely a bill to increase the debt authorization of the Corporation.

Mr. MORSE. Yes, sir.

Mr. O'HARA. That is as I read it.

Mr. MORSE. Yes, sir; the borrowing authorization.

Mr. O'HARA. Now, suppose the bill does not pass. What will happen?

Mr. MORSE. Well, Mr. Beach expressed it the other day very pointedly by saying that we would be forced to violate one of two laws, and I cannot conceive that we would violate the debt authorization very long, the borrowing authorization.

Mr. O'HARA. The farm support program would go bust, wouldn't it?

Mr. MORSE. It would have to be delayed. Some steps would have to be taken which might be quite a shock to the farm economy and, of course, through the farm economy to the rest of our economy.

Mr. O'HARA. Then if I should vote for this bill all I am doing is to vote to give you the means with which to fulfill the pledges of the Government to the farmers?

Mr. MORSE. That is right, sir.

Mr. O'HARA. There is nothing in the way of policy in this?

Mr. MORSE. That is right. It gives us the limitation under which to carry out the basic law, under which we are operating; yes, sir.

Mr. O'HARA. Now, as I was informed, when the matter of House Joint Resolution 358 was before us I think on the other side it was discovered a few days before this resolution was put in that unless you had more funds immediately the entire program would be bankrupt, and you would have to send out thousands of telegrams to bankers and other people that you didn't have money to meet the obligations.

Mr. MORSE. Yes, sir.

Mr. O'HARA. And there was some criticism, I believe, because you did not notify the Congress in time so that something else might have been done.

Mr. MORSE. Yes, sir. However, I think the criticism was effectively covered when the record was made clear. It was brought to the attention of the Bureau of the Budget early in December and definitely in a communication of December 17, that there was danger that our borrowing authority would be exhausted, and that we ought to have an emergency action to get capital restored. It was because of that situation that the Bureau of the Budget held that item out of the regular budget, and it went to Congress as emergency legislation, right after the President's budget message.

Mr. O'HARA. And the effect of that which became Public Law 295 was to give you, or the Corporation, approximately three-fourths of a billion dollars, not by an appropriation but by a subterfuge; is that a correct statement?

Mr. MORSE. Oh, no, sir; that would have come up in the regular appropriation bill in the latter part of the fiscal year. It has been a regular process of restoring to the Corporation the capital that has been spent in keeping with authorization of existing laws.

So that the only difference was that we got that capital impairment restored as of February 12, instead of some 4 months later, that is, instead of as of approximately July 1.

Mr. O'HARA. Now, I don't know the answer to the question that I am asking. It is not a rhetorical question. It is a question through which I am sincerely seeking information.

Could you have obtained, by an appropriation bill, an additional three-fourths of a billion dollars, in priority to the passage of the bill that we now have before us?

Mr. MORSE. I had better have Mr. Beach answer these questions that get into budgetary considerations.

Mr. BEACH. Mr. O'Hara, as Mr. Morse has pointed out the cancellation of notes, which was accomplished by House Joint Resolution 358, is carrying out a practice that ordinarily would have occurred in June and probably would have been accomplished in July. The cancellation of notes is equivalent to an appropriation. For all practical purposes it is an appropriation because the amount of money involved is represented by notes held by the United States Treasury, representing borrowings by the Corporation from the Treasury.

If an appropriation were made we would take that appropriated fund and go to the Treasury and pay off our notes that the Treasury now holds. So the effect would be the same, of the cancellation of notes. The Treasury accounts for the cancellation of notes in the same way they account for an appropriation. There is really no difference, except in the mechanics.

Mr. O'HARA. Has the procedure of Public Law 295 been followed in other instances?

Mr. BEACH. Are you referring to House Resolution 358 as it became law?

Mr. O'HARA. Yes, sir.

Mr. BEACH. It has been done many times before, the actual cancellation of notes.

Mr. O'HARA. Can you recall the last time it was done, and the circumstances under which it was done?

Mr. BEACH. We have never come up before the regular budget, in a prior year. We have always brought it up in the course of our regular budget hearings, but it was brought up early this year because of the emergency facing the Corporation. You see the difficulty facing the Corporation was this, basically: We had paid out money to carry out the International Wheat Agreement, as an example, in the amount of \$129 million, during the fiscal year 1953. That had tied up resources of the Corporation to the extent of \$129 million. It was an amount due the Corporation by law, and was held as an account receivable on the books of the Corporation.

Ordinarily we would have asked for that reimbursement to be effective in July. This time we asked for it in January so that we could get our capital restored to carry on our business until this bill to increase the borrowing authority was brought before the Congress, and, of course, the same thing holds true with respect to the restoration of the capital impairment and the transfers for eradication of hoof and mouth disease.

Just one second and I will give you the actual instance you requested.

Mr. O'HARA. I wonder if you are in position to answer this question with authority. I had hoped to ask the question of the Secretary but perhaps you can answer for him.

In the matter of Joint Resolution 358, in the motivating reasoning of the Secretary, was consideration given to the factor that the national debt limitation had been about reached?

Mr. BEACH. Well, as a matter of effect on the national debt, it had none, and there was no consideration given to that. Our problem was entirely within the Commodity Credit Corporation. Whether the notes were canceled or whether it was a direct appropriation, it made no difference. The money had been spent. All we needed was authority, not money. All we needed was authority to commit the Corporation to further obligations as required.

Mr. O'HARA. Well, I make a report to all of my constituents in the Second Congressional District of Illinois. I give them a synopsis of all the legislation which has been enacted, bills passed by the House and Senate, and signed by the President, and I tell them how I voted. I have been doing that, and I will continue doing it.

In regard to Public Law 295, I am going to read this to you and I am going to ask you whether it is a fair statement:

The Commodity Credit Corporation is the agency which the United States Government uses to support farm prices. It has been spending money so rapidly, storage charges alone total \$14 million a month, that it got within a few dollars of its authorized debt limitation of \$6.75 million. In short, the CCC and the farm-support program were broke.

Mr. BEACH. Sir, do you want me to interrupt you there? It is right up to that last point.

Mr. O'HARA. Let me continue:

What Public Law 295 does is unusual to say the least. CCC owes the United States Treasury \$741,548,788. Public Law 295 orders the United States Treasury to give CCC a receipt in full, canceling the entire indebtedness. Thus CCC is given three-fourths of a billion dollars, not by an appropriation bill, but by subterfuge. I think most Members of Congress resented the position in which they were put. The Department of Agriculture did not make known to Congress its financial condition until the very last moment. It was then a matter of going along with the Department in a weird and immoral act of legislation, or permitting

the farm-support program to collapse. Meanwhile a meeting of the House Banking and Currency Committee has been called for February 24, 1954, to consider H. R. 7339, the right way to proceed, a bill to increase CCC's borrowing authority.

Is there anything wrong with that statement?

Mr. BEACH. Quite considerable is wrong with it, sir. It is rather long for me to try to correct it all verbally. If you don't mind, I will give you a statement of corrections for it by correspondence, if you would like to have them, in addition to what I will say here.

Mr. O'HARA. I would be very happy to have you put your version in the record. This, which I have read, is my version. I think it is only fair to have the version of your Department, sir.

(Following are comments regarding the statement read by Mr. O'Hara:)

MR. O'HARA'S STATEMENT

"To complicate matters, the Secretary of Agriculture seemed hesitant about asking Congress to raise the limitation on CCC's debt because that would add to the national debt which already is close to the authorized limitation."

"What Public Law 295 does is unusual to say the least."

"Thus, CCC is given three-fourths of a billion dollars, not by an appropriation bill, but by subterfuge in that its one and only purpose is to make it possible for CCC to violate the debt limitation law; it is downright dishonest."

"The Department of Agriculture did not make known to Congress its financial condition until the very last moment."

COMMENT

The Under Secretary advised the Bureau of the Budget on December 17, 1953, of the Department's intention to request an increase in the borrowing authority of the CCC and suggested early authorization by the Congress of the note cancellations then included in the 1955 budget. This suggestion was made because it was presumed that legislative action would not be completed prior to the exhaustion of the Corporation's borrowing authority.

The approval of an increase in the CCC's borrowing authority would in itself have no effect on the national debt limit. Only if the Corporation's actual borrowings from the Treasury made it necessary for the Treasury to issue securities would the national-debt limit be affected.

The cancellation of notes to restore CCC's capital impairment or to reimburse it for operations not a part of its regular programs has been used a number of times beginning in 1946 when it was first authorized by the Congress.

As indicated above Congress has authorized use of note cancellations several times in the past. Such note cancellations accomplish the same end as an appropriation with less paperwork. They are accounted for by the Treasury in the same manner as appropriations. Had an appropriation been made it would have been used to retire CCC notes held by the Treasury. The action had no relation to the national-debt limit and did not affect it.

The Department notified the Bureau of the Budget of its position with respect to borrowing authority on December 17, 1953. The President's budget message on January 21 also indicated the situation.

The statement requested of the Secretary of Agriculture is as follows:

"House Joint Resolution 358 was an emergency measure necessary because the large volume of price-support loans which occurred late in the calendar year 1953 rapidly depleted the borrowing authority of the Commodity Credit Corporation. The cancellation of notes recommended by House Joint Resolution 358 is a mechanism for reimbursing the Corporation for amounts due it under the law which has been authorized by the Congress on past occasions. The sole intent was to make it possible for the CCC to stay within its borrowing authorization established by Congress and also carry out price-support operations as required by law.

"I approved the submission of the request which was the basis for House Joint Resolution 358 and have no question as to its appropriateness on moral grounds.

TRUE D. MORSE,
Acting Secretary of Agriculture."

MR. BEACH. Let me go back two steps. One was your question as to whether we had cancellations before. The most recent one was for the impairment as of June 30, 1952, in amount of \$96 million. That was for the restoration of CCC capital impairment and was accomplished in July 1953. The very same type of item was brought up in House Joint Resolution 358.

In the case of the restoration of the impairment as of June 30, 1951, that was done by an appropriation. The year before it was done by note cancellation, and the year before by note cancellation. For the 2 years before that we made payments to the Treasury rather than have the Treasury make payments to the Corporation. Two years before that there were note cancellations. It is nothing new. It is a historical pattern of reimbursing the Corporation for amounts which the law says are due it.

There is one point I want to mention with respect to your statement, and that is that the reason that the Corporation comes forward and requests a note cancellation, or an appropriation, as the case may be, usually we would ask for an appropriation, is that the act of March 8, 1938, requires that the Treasury appraise the assets and liabilities of the Corporation as of June 30 each year and determine independently of the Department of Agriculture what the impairment to the capital of the Corporation is.

The law further requires that the Treasury shall restore that capital impairment and we come forward to Congress for approval of that restoration.

The mechanism by which it is restored is either a cancellation of notes or an appropriation as determined by Congress.

The other point is, with respect to the International Wheat Agreement costs, the law reads that the Commodity Credit Corporation shall be used to carry out the International Wheat Agreement, but shall be reimbursed for all costs incurred in so doing. So the Corporation sets up on its books an account receivable during the year for such costs as are incurred in carrying out the International Wheat Agreement, and asks the Congress each year for reimbursement for those costs.

Similarly, on the transfers to the Bureau of Animal Industry for eradication of hoof-and-mouth disease, the law requires that the Corporation be reimbursed. The Corporation and the Department did nothing but what was required by law. The only thing that was done was asking for the restoration about 3 or 4 months earlier than it usually would have been done. Ordinarily it would have been included in the regular budget, but because of the situation the Corpora-

tion was in, and because of the considered likelihood that a bill increasing the borrowing authority in itself would take a considerably longer period of time, it was decided to go ahead and ask for restoration of the impairment and the payment to the Corporation for what had become due it for 1953 operations.

Briefly, that is the explanation for the whole development.

Mr. O'HARA. I have been listening to the gentleman with interest and appreciation. While he has been talking I have been envisioning myself going into the office of the First National Bank in the city of Chicago and borrowing \$5,000, and then the directors of the bank getting together and voting to give me a receipt in full. That is, in this imaginary transaction, I pay the debt, not by returning the \$5,000, but by a gracious act of the directors in canceling the obligation. Of course, if that were done, the directors and everyone concerned would go to the penitentiary.

Are we in the Congress in any different position when we do substantially what the directors of a national bank could do only at the price of a prison term?

Mr. MORSE. I believe there is one step missing in there, if I am correct. If, when you borrowed \$5,000 the First National Bank told you, "Now, you spend part of this money for the International Wheat Agreement, and if there is a disease breaks out, like the hoof-and-mouth disease, you go ahead and take care of that emergency, and when you come in we will either give you the additional money that you have expended, and that we have authorized you to spend—or we will cancel that portion of your debt." That, I believe, would complete the parallel.

Mr. O'HARA. I appreciate the explanation. In a sincere desire to be helpful, I suggest that you read carefully and thoughtfully, the debates in both House and Senate, and particularly the Senate report.

Mr. MORSE. May I add this comment, that this is complicated big business, and it is difficult to follow these ramifications. Mr. Beach here stays on the detail, and that is why we turn to him repeatedly, because of the complications.

The CHAIRMAN. Mr. Merrill?

Mr. MERRILL. No questions.

Mr. MUMMA. In how many cases did you say the previous administration used the cancellation plan?

Mr. BEACH. I will give you the date of each appropriation note cancellation: June 1938, appropriation; August 1939, appropriation; June 1940, payment to the United States Treasury; September 1941, appropriation; June and September 1942, payment to the United States Treasury; May 1945, appropriation; July 1946, note cancellation; May 1947, note cancellation; April 1948, payment to the United States Treasury; June 1949, a payment to the United States Treasury; September 1950, a note cancellation; September 1951, note cancellation; July 1952, appropriation; July 1953, note cancellation.

Mr. MUMMA. I just wanted the record to show that this wasn't anything new, and that it had been carried on by several previous administrations. The implication and the inference introduced by some people on the basis of the record is not necessarily true.

The CHAIRMAN. Mr. Mumma, will you yield?

Mr. MUMMA. I am through.

The CHAIRMAN. I might suggest also that this procedure has been followed in the RFC, where the Congress directed the RFC to raise certain moneys by issuing its own notes, bonds, and debentures for various purposes incident to the depression and the war which followed, and then the Congress would write off these obligations.

It seems to me that I remember—and the staff may correct me if I am wrong—that at one time we wrote off over \$2 billion of RFC obligations which we had directed them to raise, in addition to what they raised for their loan program.

The CHAIRMAN. Mr. McCarthy.

Mr. McCARTHY. I have one or two questions.

I think, Mr. Beach, I should address this to you: Could you tell me when the 2½ percent interest rate on certificates of interest was established?

Mr. BEACH. Yes, sir, on the 1953 cotton certificates of interest, the rate was established at the beginning of the cotton marketing season this year, that is on the certificates for cotton.

In the case of the certificates of interest on grain loans, which were the first ones issued—let me correct that, which were issued the first time this year—the rate of 2½ percent was set on the issue, dated October 28.

Mr. McCARTHY. It was established in October?

Mr. BEACH. No, sir; the rate was actually established in July, August, and early September, when the Treasury had its initial discussions of the rate. The date of issue was in October.

Mr. McCARTHY. In other words, in July and August they determined they would set a 2½ percent rate on certificates of interest which were not issued until October.

Mr. BEACH. That is right.

Mr. McCARTHY. These are in effect, demand loans, aren't they?

Mr. BEACH. Yes, sir.

Mr. McCARTHY. What happened to the interest rate on similar Government securities between July and October?

Mr. BEACH. I have the rates right here. In July and August the rate on Treasury 9- to 12-month obligations, was right near 2.4 percent, 2.3 to 2.4 percent. Between that time and October the rate dropped down to around 1.7 percent.

Mr. McCARTHY. Was there any reason why they shouldn't have made a change in the interest rate on certificates of interest, in order to accommodate that rate to the change which had taken place in the general market?

Mr. BEACH. Well, sir, they didn't know, as I say, until the actual accomplishment of that rate; it was about October 17, when the rate got down to 1.7 percent. It went down gradually from the period in the latter part of August to that date. The Treasury establishes the rates on the certificates and then there are considerable negotiations involved, offer, acceptance, and so forth, that have to take place before the issue date and there is very little opportunity to change it once the announcement is made.

Mr. McCARTHY. Didn't the same sort of preliminary activity occur in relation to other certificates?

Mr. BEACH. Yes, sir; for the later issues the rate was reduced to 2¼ percent on the December 17 issue, and reduced to 2½ percent on the issue as of February 2, 1954.

Mr. McCARTHY. But all this time it was running about 1 percent above the interest rate on comparable issues, was it not?

Mr. BEACH. Well, the 9 to 12 months' securities are now selling on a basis that the yield on them is now slightly over 1 percent, but back in December, and in January it was running around $1\frac{1}{2}$ percent plus.

Mr. McCARTHY. The question comes to my mind, and I think this is a fair question to put to someone in Commodity Credit, why would you borrow money at $2\frac{1}{2}$, $2\frac{1}{4}$, or 1 percent more, through certificates of interest, when you could have gotten the same money from the Treasury at 1 percent less?

Mr. BEACH. No, sir, we couldn't.

Mr. McCARTHY. Why not?

Mr. BEACH. The Treasury sets both rates. They set the rate at which we borrow from the Treasury and the rate at which we sell the certificates. Our borrowing rate from the Treasury right now has been reduced to $1\frac{1}{8}$ percent but it was 2 percent in December and January, and $2\frac{1}{2}$ percent from July through September. They set that rate on the basis of average cost to them of money borrowed for similar terms.

Mr. McCARTHY. Well, you could have gotten it from them for less than you did get it.

Mr. BEACH. No, sir, you are thinking of the differential possibly between the rate at which the Treasury would borrow money and the rate at which we would borrow money under the certificates. As far as the Commodity Credit Corporation is concerned the cost is the same.

Mr. McCARTHY. Would it cost you as much to get it from the Treasury as to borrow on certificates of interest?

Mr. BEACH. Yes, sir, it did at that time.

Mr. McCARTHY. Does it still?

Mr. BEACH. No, our rate now—and we are not selling any more certificates that we know of, until next August, at least, the rate now from the Treasury is $1\frac{1}{8}$ percent.

Mr. McCARTHY. Do you mean to say the record will show that whenever you borrowed on certificates of interest you were paying an interest rate comparable to what you would have had to pay the Treasury?

Mr. BEACH. Yes, at the time the rate was determined.

Mr. McCARTHY. Do these certificates of interest carry the guaranty of the Federal Government?

Mr. BEACH. No, sir.

Mr. McCARTHY. Do you mean to say that without this guaranty you can get money as cheaply in the open market as the Treasury of the United States can borrow with the Government guaranty?

Mr. BEACH. I think there is a little confusion there. My point was that the Commodity Credit Corporation pays the United States Treasury, when it borrows money directly from the Treasury the, same rate approximately as it is costing the CCC to borrow money by selling certificates.

Mr. McCARTHY. Yes.

Mr. BEACH. And the reason is that the Treasury is setting the rate at about the cost to them of obtaining Government funds through selling Government securities. As of the current date the money

market has declined, and the Treasury has reduced our borrowing rate to 1½ percent.

Now, if there is any difference in the overall cost of money to the Government, that cost is absorbed by the Treasury. The Commodity Credit Corporation is not affected.

Mr. McCARTHY. I understand that. Could you explain why, in 1941, the Commodity Credit first began to use the certificates of interest? I understand up to that time they had borrowed from the Treasury.

Mr. BEACH. Well, no, sir; Commodity Credit Corporation in early years issued debentures and sold securities in the open market itself.

Mr. McCARTHY. Was the law changed?

Mr. BEACH. Well, the law was changed March 8, 1938, when Congress established a borrowing authority. In the early days, as you may recall, the Corporation was operated under the supervision of the Reconstruction Finance Corporation.

In 1939 it was transferred to the Secretary of Agriculture, and is his responsibility.

In 1941 the Department initiated the certificate plan on cotton loans to make it possible for easier redemption of the loans by producers. That was the primary objective.

It involves two things: One, the holding of the notes, that is, individual farmer's notes, in the Federal Reserve Bank, serving the district in which the cotton was originally stored; and number two, an equity transfer which enables a producer to dispose of his cotton without having at hand all of his loan documents, which ordinarily would have been necessary.

Mr. McCARTHY. Well, to go back to the question I raised earlier, I have a note here to the effect that the interest rates, the 2½ percent interest rate which was granted on the October 14 issue of certificates of interest, was given at a time when the Treasury was charging the Commodity Credit Corporation 2 percent. At least that was the rate charged for the last money borrowed from the Treasury October 1, 1953, a 9 months' note.

Mr. BEACH. You are thinking there of a special arrangement that the Treasury has with the Commodity Credit Corporation whereby we pay country banks that make these loans a half percent service fee if they retain investment in the paper.

The Treasury agreed that in view of the fact that city banks would be receiving a return of 2½-percent interest on certificates, it was fair to assume that a country bank, who made the loan in the initial instance, should also get the 2½-percent interest plus the cost of servicing it. So there was a half percent added to the amount of return to a country bank.

The Treasury has given the Commodity Credit Corporation reimbursement for that extra cost by refinancing a block of its notes at a lower rate of interest and it was that refinancing loan, on October 1, 1953, of \$500 million, at 2 percent, that reduced the cost to the Corporation by the amount of money represented by the added cost of the service fee.

Mr. McCARTHY. One other question: Was the language printed on these new certificates of interest any different from what you had been using previously?

Mr. BEACH. I don't have before me a copy of the actual certificate, but there is a difference in mechanics used in carrying them out.

Mr. McCARTHY. I understood you to say these were not guaranteed.

Mr. BEACH. There is no difference in that respect. They are issued on the credit of the Commodity Credit Corporation only.

Mr. McCARTHY. No guaranty from the Federal Government?

Mr. BEACH. No, sir.

Mr. McCARTHY. As I read the basic law regarding the Commodity Credit Corporation, I find this language, in which the Commodity Credit is given authority to issue certificates of interest:

Such obligations shall be fully and unconditionally guaranteed both as to its interest and principal by the United States, and such guaranty shall be expressed on the face thereof, and such obligation shall be lawful investments and may be accepted as security for all fiduciary, trust, and public funds—and so forth.

Mr. BEACH. Sir, in the hearings before the Senate we were requested by Senator Williams to supply for the record an opinion from the Solicitor of the Department as to the nature of the obligations under CCC certificates of interest. It was a little different question, of course, in that he wanted to know whether we were required to clear with the United States Treasury.

The Solicitor issued an opinion, No. 5584, dated February 1, 1954, which I will be glad to insert in the record.

The Solicitor issued an opinion, No. 5584, February 1, 1954, which I will be glad to insert in the record.

Mr. McCARTHY. This year?

Mr. BEACH. Yes.

Mr. McCARTHY. That was after you had done this? You did it before you got the opinion?

Mr. BEACH. This opinion applies equally as well to those issued in 1941.

Mr. McCARTHY. And you have exempted certificates of interest, as not falling under the various categories that are set up here?

Mr. BEACH. That is right, they are not——

Mr. McCARTHY. As bonds, notes, debentures, and other similar obligations? Certificates of interest are different from that?

Mr. BEACH. They are different from that. I will be glad to either supply or insert this opinion in the record, however you like.

Mr. McCARTHY. Well, I think I will have to leave off the questioning there, if you simply redefine the nature of an obligation.

Mr. BEACH. No, sir, we have a history on the definition of this obligation running back for many years. In other words, this is consistent with previous operations. There has been no change in that respect.

Mr. McCARTHY. There is no relationship to this redefinition and the concern of the Treasury with keeping under the legal debt limit?

Mr. BEACH. No, sir. I will answer your question as to the operation.

Mr. McCARTHY. Understand, I voted to raise the debt limit, but I would be interested in knowing what had to be done in order to keep under that limit and whether it has been expensive to the taxpayers generally.

Mr. BEACH. I think the answer is very clear, as indicated by the statement that we inserted in the record yesterday, that was given by Mr. Burgess, Assistant Secretary of the Treasury, and which Mr. Canfield inserted in the Congressional Record of February 18.

The answer is this, that the expansion of our use of the certificate plan into grain loans and into tobacco and other extended loans, was at the request of the Department of the Treasury, to extend the financing of the Commodity Credit Corporation operations through commercial banks to avoid pressing through the national debt ceiling.

There has possibly been some increase in cost to the United States Government as a whole, as a result of the rate of interest being paid on the certificates. That I cannot speak for. It would have to be answered by the Treasury, because they know at what rates they are selling other comparable securities.

The CHAIRMAN. The opinion referred to in opinion 5584 appears on page 45 of the Senate hearings. Without objection, that may be inserted in our record at this point.

(The information referred to is as follows:)

SOLICITOR'S OPINION No. 5584

UNITED STATES DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SOLICITOR,
Washington, D. C., February 1, 1954.

Syllabus: Commodity Credit Corporation borrowing authority.

The act of March 8, 1938, as amended (15 U. S. C. 713a) requires the Commodity Credit Corporation to obtain the approval of the Secretary of the Treasury for the issuance of bonds, notes, debentures and other similar obligations covering the borrowing of money by the Corporation. The contracts of the Corporation with lending agencies and the certificates of interest issued to banks do not represent borrowings subject to this statute and the approval of the Secretary of the Treasury is not required for the issuance of these documents.

OPINION FOR HOWARD H. GORDON, ADMINISTRATOR, COMMODITY STABILIZATION SERVICE

DEAR MR. GORDON: This opinion is submitted in response to your oral request for the views of this office on the question of the extent to which the financing operations of the Commodity Credit Corporation require the approval of the Secretary of the Treasury.

The power of the Commodity Credit Corporation to borrow money is derived from section 4 (i) of the Commodity Credit Corporation Charter Act (15 U. S. C. 714b), which reads as follows:

"[The Corporation] (i) May borrow money subject to any provision of law applicable to the Corporation: *Provided*, That the total of all money borrowed by the Corporation, other than trust deposits and advances received on sales, shall not at any time exceed in the aggregate \$6,750,000,000. The Corporation shall at all times reserve a sufficient amount of its authorized borrowing power which, together with other funds available to the Corporation, will enable it to purchase, in accordance with its contracts with lending agencies, notes, or other obligations evidencing loans made by such agencies under the Corporation's programs."

The provisions of law to which the authority to borrow money contained in the Charter Act is subject are found in section 4 of the act of March 8, 1938, as amended (15 U. S. C. 713a-4):

"Sec. 4. With the approval of the Secretary of the Treasury, the Commodity Credit Corporation is authorized to issue and have outstanding at any one time, bonds, notes, debentures, and other similar obligations in an aggregate amount not exceeding \$6,750,000,000. Such obligations shall be in such forms and denominations, shall have such maturities, shall bear such rates of interest, shall be subject to such terms and conditions, and shall be issued in such manner and sold at such prices as may be prescribed by the Commodity Credit Corporation, with the approval of the Secretary of the Treasury. Such obligations shall be fully and unconditionally guaranteed both as to interest and principal by the United States, and such guaranty shall be expressed on the face thereof, and such obligations shall be lawful investments and may be accepted as security for all fiduciary, trust, and public funds the investment or deposit of which shall be under the authority or control of the United States or any officer or officers thereof.

In the event that the Commodity Credit Corporation shall be unable to pay upon demand, when due, the principal of, or interest on, such obligations, the Secretary of the Treasury shall pay to the holder the amount thereof which is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, and thereupon to the extent of the amount so paid the Secretary of the Treasury shall succeed to all the rights of the holders of such obligations. The Secretary of the Treasury, in his discretion, is authorized to purchase any obligations of the Commodity Credit Corporation issued hereunder, and for such purpose the Secretary of the Treasury is authorized to use as a public-debt transaction the proceeds from the sale of any securities hereafter issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under such Act, as amended, are extended to include any purchases of the Commodity Credit Corporation's obligations hereunder. The Secretary of the Treasury may at any time sell any of the obligations of the Commodity Credit Corporation acquired by him under this section. All redemptions, purchases, and sales by the Secretary of the Treasury of the obligations of the Commodity Credit Corporation shall be treated as public-debt transactions of the United States. No such obligations shall be issued in excess of the assets of the Commodity Credit Corporation, including the assets to be obtained from the proceeds of such obligations, but a failure to comply with this provision shall not invalidate the obligations or the guaranty of the same: *Provided*, That this sentence shall not limit the authority of the Corporation to issue obligations for the purpose of carrying out its annual budget programs submitted to and approved by the Congress pursuant to the Government Corporation Control Act (31 U. S. C., 1946 edition, sec. 841). The Commodity Credit Corporation shall have power to purchase such obligations in the open market at any time and at any price."

The statutes quoted above require the approval of the Secretary of the Treasury in order for the Commodity Credit Corporation to issue bonds, notes, debentures, and other similar obligations covering the borrowing of money by the Corporation. The Secretary of the Treasury is required to approve the form, denomination, maturity date, rate of interest, and the terms and conditions of instruments issued pursuant to this authority to borrow money.

In those cases in which there may be some question whether the transaction is one to which the act of March 8, 1938, as amended, may be applicable, the Corporation should consult, and has consistently followed the practice of consulting, the Treasury Department both on the question of the applicability of the statute and the merits of the transaction.

In the case of contracts with banks and other lending agencies under which the Corporation undertakes to purchase producers' notes evidencing price-support loans made by the lending agency, when requested to do so by the lending agency, the transaction is not a borrowing of money by the Corporation and the act of March 8, 1938, as amended, is not applicable. The express approval of the Secretary of the Treasury is not required or obtained.

The certificates of interest which the Corporation issues against a pool of producer notes are in the same class, insofar as the applicability of the act of March 8, 1938, as amended, is concerned. Producers' notes, secured by warehouse receipts representing commodities pledged for price support loans, are placed in pools against which the Corporation issues certificates of interest: (1) To the original bank making the loan to the producer, or (2) to another lending agency willing to participate in the financing of the loans to producers. Commodity Credit Corporation is entitled to deposit notes which it holds in the pool and to have the same right with respect to such deposit as if it were a bank or other lending agency. If, on liquidation of the pool, the proceeds are insufficient to retire all outstanding certificates, Commodity Credit Corporation will pay the balance remaining due to the holder of the certificates from funds obtained by utilization of its borrowing authority. The holders of certificates are essentially in the same position as the lending agency holding the initial loan made to an individual producer, except that they have substituted an interest in a group of loans for the interest in an individual loan.

The Corporation has understood both the limitations on borrowing and the requirement for the approval by the Secretary of the Treasury as covering obligations similar to bonds, notes, and debentures—which are all essentially instruments issued to obtain a loan and wherein the maker promises to pay or repay a certain sum of money. The several amendments to this section have consistently referred to the action taken as being an increase in the Corporation's borrowing power, showing a congressional recognition that the statute referred to borrowings by the Corporation, rather than the borrowings by the producers which the Corporation undertook to purchase. Accordingly, the Commodity Credit Cor-

poration has consistently obtained formal approval by the Secretary of the Treasury of the issuance, the form, and the terms and conditions, of all instruments representing borrowings by the Corporation. It has not obtained the formal approval of instruments representing a contractual obligation to purchase notes issued by producers or to purchase commodities. This interpretation of the act of March 8, 1938, was discussed in an exchange of correspondence between the Acting Secretary of the Treasury and the Administrator of the War Food Administration, dated November 14, 1944, and December 2, 1944.

While Commodity Credit Corporation is not the borrower and the act of March 8, 1938, as amended, does not apply to such transactions, Commodity Credit Corporation does have a contractual contingent liability to pay the holders of the certificates of interest in the event that the makers of the notes do not repay them. In order to assure itself of ability to fulfill this contractual requirement, Commodity Credit Corporation reserves, unused, sufficient of its authorized borrowing power to permit it to borrow the funds and pay the holders of the certificates if the occasion arises.

While the act of March 8, 1938, as amended, is not applicable to the issuance of certificates of interest, the Commodity Credit Corporation has, we understand, consulted the Treasury Department on all aspects of the certificates of interest program, and the offering of these instruments to commercial banks in October of 1953 was worked out in collaboration with the Treasury Department. The procedure, the rate of interest, and the extent of the offering, were approved by the Treasury Department.

Sincerely yours,

KARL D. LOOS, *Solicitor*.

The CHAIRMAN. Are there any further questions? If not, we are grateful to you, gentlemen, for having been here with us. You have made a very valuable contribution to this subject.

Mr. MORSE. We appreciate the opportunity of appearing before you, and we hope that at any time you have suggestions you will let us have them.

The CHAIRMAN. Express our appreciation also to the Secretary.

Mr. MORSE. Thank you.

The CHAIRMAN. Mr. James of the National Grange is our next witness. Do you care to proceed, Mr. James? You have been very kind and tolerant to sit here throughout these hearings.

Mr. JAMES. Mr. Chairman, it won't take me very long, I hope. I have a short statement, although this is a matter in which the Grange is very much interested. Therefore, we wanted to give our opinion of it.

STATEMENT OF DELOS L. JAMES, DIRECTOR, AGRICULTURAL-INDUSTRY RELATIONS, THE NATIONAL GRANGE

Mr. JAMES. Mr. Chairman, members of the committee, my name is Delos L. James, and I am director of the agriculture-industry relations work for the National Grange.

With the cessation of hostilities in Korea it immediately became imperative that all Government and other officials of the United States who are in charge of administering the laws of the Nation should turn their attention to the effectuation of these laws and regulations in such a way as would gradually move away from the Korean incited inflationary situation as rapidly and wherever possible, and toward the objective of a stable peacetime condition.

In so doing it must, of course, be recognized that as we shift from a war economy to a peacetime basis we must try to avoid any curtailment of the output of goods and services that would have the effect of reducing the high standard of living to which we have become

accustomed. On the other hand, a major objective should be to strengthen the Nation's economy, thereby raising our standard of living and with a continued normal increase in population we should strive for and expect a national income not equal to, but greater than, that obtained during any period of former years.

Such a readjustment must, in fairness to all concerned, give due recognition to an effectuation of the laws that had been passed for the purpose of insuring adequate supplies of basic commodities, particularly food and fiber, and in accordance with the provisions of the price-support law for 1954 crops.

In view of the conditions that have developed as a result of large supplies, in excess of current market requirements, of the crops covered by the price-support law and the rate at which loans are made, the amount of \$6¼ billion provided by Congress for loan and purchase is not considered adequate by Commodity Credit officials to provide the necessary service to farmers on crops that may yet be eligible for loans or purchase. Therefore, the estimate by Government officials of the need for an additional \$1¾ billion should be recognized, and we in the National Grange vigorously support the proposal to raise the loan ceiling to \$8½ billion.

It is perfectly apparent that farmers, in doing their recognized part in connection with the war, have responded to the best of their ability by producing abundant supplies of food and fiber products, at the same time expecting their Government to protect them against dangerous price declines, by means of the price-support program. Thus, as we see it, the Government should keep faith with its farmers and the necessary action should be taken by Congress to provide additional adequate funds to fulfill the Government's obligation of price protection. Even though the National Grange is giving its endorsement to the appropriation of additional funds to carry out provisions for the 1954 program, we wish to say that at a later date we will be prepared and hope to have the opportunity to present our views on bringing about orderly and constructive adjustment of a governmental price-support program which recognizes the fundamental principle that a satisfactory and equitable income for agricultural producers can only be achieved through expanding markets, both at home and abroad. Also, that such features of our present program which seemingly have had the effect of restricting markets must be thoroughly analyzed with a view to making such adjustments as will effectively eliminate the difficulty of shrinking farm income.

In this connection we think it would be desirable to reexamine the original purpose of making available the loaning service on farm commodities. Orderly marketing was a very basic part of that program, and although the nonrecourse provisions were a part of the act it was not the intent of proponents of the law or of Congress, as we understand it, that the Commodity Credit Corporation was to become an alternative market for all the producer might wish to put into it.

It is our belief that we can propose practical ways in which the desired objective of a satisfactory and equitable income for agricultural producers can be achieved without repeated requests to increase the ceiling on operations of the Commodity Credit Corporation, and at the same time operate the farm plant on a scale that will encourage efficient production.

To mention the more important of the proposals we have in mind we believe a two-price system must be made available for use in connection with any price-support program for such crops as wheat and cotton—natural or normal exports of the United States—whenver the level of price support is above available export price and when we are therefore losing our relative or legitimate portion of the markets of the world. We expect also to be able, further, to develop our conception of a trade and markets expansion certificate program to stimulate foreign markets in proportion to tariff concessions on imports, which concessions may be made in accord with expanded income arising from the increased exports.

Then, too, a more widespread soil-conservation program with attractive inducements to farmers to set aside more of their crop acreages for soil-building purposes, we believe, would be highly effective in establishing a storehouse of vital plant-food elements for future use as well as contributing on a large scale to better balance between crop output and market requirements. The most plausible basis for such restriction of agricultural output as may seem to be required is sound land use.

The CHAIRMAN. Thank you very much, Mr. James.

Are there questions of Mr. James?

We are very grateful for your appearance, Mr. James, and we thank you.

Without objection, statements by the American Farm Bureau Federation and the National Farmers Union, may be inserted in the record.

Also, without objection, the following may be inserted in the record: The executive communication from the Secretary of Agriculture to the Speaker of the House, referred to this committee, setting forth the requests for this legislation, and the letter of the Acting Secretary of Agriculture recommending section 3 of H. R. 7339 be stricken for the grounds stated.

Without objection, the public hearings will be closed at this time, and we shall meet in executive session to take action on the bill before us at 10:30 Monday morning, March 1.

(Whereupon, at 1:35 p. m., the committee adjourned.)

(The following statements were submitted for inclusion in the record:)

JANUARY 14, 1954.

Hon. JOSEPH W. MARTIN, Jr.

Speaker, House of Representatives.

DEAR MR. SPEAKER: This Department recommends the enactment of legislation to increase the borrowing authority of the Commodity Credit Corporation from \$6,750 million to \$8,500 million effective July 1, 1954.

At the outset it should be emphasized that it is impossible to forecast with any degree of accuracy the requirements for borrowing authority necessary to fulfill the statutory obligations of the Commodity Credit Corporation either in total or within a given crop year. The obligations incurred or funds actually expended are largely determined by statutory requirements, yields from crops not yet planted, weather, future prices, and general prevailing economic conditions over which the Corporation has no control. Our best estimates indicate, however, that this increase is necessary to maintain the stability of the Corporation and assure successful operation of present price-support legislation.

This increase in borrowing authority does not, in itself, commit the Commodity Credit Corporation to expend funds. It is rather an authorization. The Congress determines how the authorization will be used by prescribing in the

statutes the price-support programs to be carried out. In this connection, early passage of the administration's proposed farm program is urged in order to reduce, as soon as possible, the demands on the Commodity Credit Corporation and the Treasury.

As of November 30, 1953, the Corporation had outstanding borrowings of \$4,148 million and it was obligated to purchase \$1,525 million of loans and certificates held by banks and other lending agencies participating in the loan programs of the Corporation. This made a total of \$5,673 million of its statutory borrowing power actually in use. It also had other obligations already contracted in the amount of \$259 million, some part of which will require additional borrowings to liquidate (such as purchase agreements, accounts payable, accrued liabilities, etc.) making a grand total of \$5,932 million of its borrowing authority in use as of November 30. This represents an increase of \$3 billion over similar obligations outstanding as of December 31, 1952. It is estimated that the Corporation will incur obligations totaling an additional \$800 million by the end of February 1954, making its obligations outstanding as of that date total \$6.7 billion—an increase of \$3.8 during the 14-month period since January 1, 1953. Thus it may readily be seen that if obligations subsequent to February 1954 increase as in the preceding recent past, a borrowing authority of \$8.5 billion is definitely required.

There is attached a draft of a bill embodying the necessary amendments to existing legislation to accomplish an increase in the borrowing authority together with a statement indicating factors affecting use of the borrowing authority of the Commodity Credit Corporation. This latter statement may be helpful to the committee to which this proposal is referred.

The Bureau of the Budget advises that there is no objection to the submission of this proposed legislation to the Congress for its consideration.

Sincerely yours,

E. T. BENSON, *Secretary*.

Enclosures.

H. R. —

A BILL To increase the borrowing power of Commodity Credit Corporation

Be it enacted by the House of Representatives of the United States of America in Congress assembled, That section 4 of the Act approved March 8, 1938 (52 Stat. 108), as amended, is amended by striking out "\$6,750,000,000" and inserting in lieu thereof "\$8,500,000,000, effective July 1, 1954".

SEC. 2. Section 4 (i) of the Commodity Credit Corporation Charter Act (62 Stat. 1070), as amended, is amended by striking out "\$6,750,000,000" and inserting in lieu thereof "\$8,500,000,000, effective July 1, 1954".

SEC. 3. This Act shall be effective July 1, 1954.

FACTORS AFFECTING USE OF THE BORROWING AUTHORITY OF THE COMMODITY CREDIT CORPORATION

Budget assumptions.—The Corporation's budget estimates for 1954 and 1955 are based on the general assumptions (a) that employment, production, and incomes will continue high through fiscal year 1955; (b) that prices, on the average, will not exceed the 1953 level; (c) that yields will be in line with recent averages; and (d) that acreage allotments and marketing quotas will be in effect on the 1954 crops of peanuts, certain kinds of tobacco, wheat, and cotton in accordance with existing legislation; and acreage allotments will be in effect on the 1954 crop of corn.

Supply and utilization.—On the basis of these assumptions estimates of the supply and utilization of individual commodities are made and these in turn become the significant factors upon which the estimated volume of price-support operations is predicated. With domestic disappearance of most commodities fairly stabilized, the two most dominating influences upon the level of price-support operations are exports and production. However, seasonal price variations on individual commodities resulting from a variety of causes have a definite effect on the peak amount of funds invested in price-support operations any one time during a crop year.

Exports.—Declines in exports, primarily cotton and wheat, have already contributed to increasing stocks of these commodities owned or controlled by the Corporation. A continued low level of exports for these commodities will serve to intensify the problems of supporting prices of cotton and wheat. Rice is an important exception to the general decline in exports, due in part to a short crop in Japan. We are presently exporting nearly twice the volume of rice as was

exported during the crop years 1947-50. Production has trended upward in line with the increased exports. Should these exports drop off appreciably it is reasonable to assume that the total decrease in exports would flow into price-support channels. To illustrate, a 40-percent decrease in exports—10 million hundredweight—could mean additional CCC loans of nearly \$50 million without giving any recognition to the additional effect such a development would have upon present prices.

Production.—It is estimated that unless an early cancellation of notes is made to restore the capital impairment of the Corporation and to reimburse it for International Wheat Agreement costs a maximum of approximately \$6.7 billion of the Corporation's borrowing authority will be in use during 1954 and \$7 billion in the fiscal year 1955. It should be emphasized, however, that this estimate for 1955 has been prepared from data included in the current budget estimates which are based on the assumptions "that yields would be in line with recent averages" and "that acreage allotments and marketing quotas will be in effect * * * in accordance with existing legislation." Actual yields per acre have been increasing steadily each year. Also, with acreage controls in effect for cotton, corn, and wheat, it may be assumed that producers will use more fertilizer and insecticides and select their best lands for the production of those crops upon which acreage allotments have been placed, thereby obtaining still higher yields. Under present legislation, the cotton allotment is set to produce 10 million bales of cotton with an average yield of 268 pounds of lint per acre—or 17,900,000 acres. If legislation is enacted which will increase the acreage allotment to around 21 million acres as is anticipated, production will increase accordingly. If it is assumed (a) that cotton acreage will be increased, (b) that yields of cotton, corn, and wheat will be in line with higher than average yields in recent years, and (c) that the increased supplies will go under price support, approximately \$1 billion would be added to the borrowing authority required. There is shown below a summary of the production and yield for the 1954 crops of cotton, corn, and wheat upon which the budget estimates are based, compared with estimated production and yield in the light of factors discussed above, and their possible effect upon the volume of price-support operations.

	Current budget estimates, fiscal year 1955		Estimates based on larger production		Increased price-support operations
	Yield per acre	Production	Yield per acre	Production	
Cotton ¹	281 pounds..	10,000,000 bales.....	307 pounds..	12,587,000 bales.....	\$414, 000, 000
Corn.....	39.2 bushels..	3,000,000,000 bushels..	42.2 bushels..	3,234,000,000 bushels..	374, 000, 000
Wheat.....	15.2 bushels..	975,000,000 bushels..	² 16.7	1,065,000,000 bushels..	193, 000, 000
Total.....					986, 000, 000

¹ Assumes legislation will be enacted increasing minimum allotment to 21 million acres. Allowance made for underplantings of 500,000 acres.

² A yield of 18.3 bushels per acre was attained in 1942.

Diverted acreage.—A further factor influencing the volume of price-support operations will be crops devoted to acreage diverted from cotton, corn, and wheat to other crops eligible for price support. This has been taken into consideration to some extent in the budget estimates, but it is impossible to forecast the future developments in this respect with any degree of accuracy. The administration is already committed to price support on feed grains, soybeans, flaxseed, and other crops for which diverted acres might be used. Although the level of support is in some instances lower than in the recent past, nevertheless, increase yields and weak prices could add as much as \$200 million to the borrowing authority required. Further, any general price declines and business difficulties would be reflected in a generally increased volume of price-support operations for all commodities.

During this period of high production and diminished exports, the volume of price-support operations required by law are estimated to continue at a high level. While production controls will be in effect for certain commodities there is no assurance that they will be fully successful because of yield potentialities. The timing of the peak requirements for borrowing authority for individual commodities varies from time to time as general economic circumstances affecting the respective commodities change. It is important, therefore, that the borrow-

ing authority of the CCC be large enough to cover any reasonably anticipated needs. The past history of the operations of the Corporation is replete with examples of the violently changing demands upon it: From December 1947 to December 1948, the total obligations against the borrowing authority of the Corporation increased \$1.5 billion; from December 1948 to December 1949, the increase was \$1.7 billion; between February 1950 and January 1951, outstanding obligations decreased \$1.2 billion; from December 1952 to November 1953, an 11-month period, obligations have increased \$3 billion, and it is estimated that an additional \$800 million will be obligated by February 1954. If even a much smaller increase should take place in the period from December 1953 to January 1955, it is apparent that a total authorization of \$8.5 billion will definitely be required.

A table (exhibit A) summarizing these changes in obligations is attached.

EXHIBIT A.—*Commodity Credit Corporation, analysis of obligations outstanding and net change between periods of maximum use of borrowing authority*

Calendar year	Maximum use of borrowing authority				
	Month of peak	Total amount		Statutory	
		Outstanding	Increase (+) or decrease (−) from prior period	Outstanding	Increase (+) or decrease (−) from prior period
		<i>Billion</i>	<i>Billion</i>	<i>Billion</i>	<i>Billion</i>
Actual:					
1947	December	\$0.7		\$0.6	
1948	do	2.2	+\$1.5	1.6	+\$1.0
1949	do	3.9	+\$1.7	3.3	+\$1.7
1950	February	4.4	+.5	3.8	+.5
1951	January	3.2	−1.2	3.0	−.8
1952	December	2.9	−.3	2.8	−.2
1953	November	5.9	+\$3.0	5.7	+\$2.9
Estimated: 1954 ¹	February	6.7	+.8	6.4	+.7

¹ It is anticipated that a cancellation of notes totaling \$773 million in February will enable the Corporation to stay within the statutory borrowing authority.

DEPARTMENT OF AGRICULTURE,
Washington, D. C., February 24, 1954.

Hon. JESSE P. WOLCOTT,
Chairman, Committee on Banking and Currency,
House of Representatives.

DEAR MR. WOLCOTT: Reference is made to a letter from the Secretary of Agriculture, dated January 14, 1954, to the Speaker of the House of Representatives, recommending the enactment of legislation to increase the borrowing authority of the Commodity Credit Corporation and attaching a proposed draft of legislation.

Section 3 of the draft, as proposed by the Department, provided that the increase in borrowing authority be effective July 1, 1954. H. R. 7339 was introduced on this basis. Recent developments, however, indicate that commodities have been going under loan at a greatly accelerated rate and that, despite the fact that there has been an early restoration of the capital impairment of the Corporation as of June 30, 1953, there is insufficient unused borrowing authority to provide a margin of safety for operations of the Corporation between now and July 1, 1954. In view of this accelerated use of the borrowing authority of the Corporation, the Department recommends that section 3 be stricken from the bill. With this change, the effective date of the increase in borrowing authority would be the same as the date of approval of the bill.

The Bureau of the Budget advises that there is no objection to the submission of this report.

Sincerely yours,

J. EARL COKE, *Acting Secretary.*

AMERICAN FARM BUREAU FEDERATION
 Washington, D. C., March 3, 1954.

HON. JESSE P. WOLCOTT,
 Chairman, Committee on Banking and Currency,
 House of Representatives, Washington, D. C.

DEAR CONGRESSMAN WOLCOTT: The American Farm Bureau Federation favors increasing the borrowing authority of the Commodity Credit Corporation from \$6,750 million to \$8,500 million as provided in H. R. 7339.

It would be appreciated if this letter could be included in the printed record of the hearings with respect to this subject.

Sincerely yours,

FRANK K. WOOLLEY,
 Legislative Counsel.

EXPANDING BORROWING AUTHORITY OF COMMODITY CREDIT CORPORATION

Statement of John A. Baker, assistant to president, National Farmers Union, before House Committee on Banking and Currency, February 25, 1954

The farm price-support programs approved and established by Congress would be completely nullified at any time when the Commodity Credit Corporation should not have sufficient uncommitted funds to finance additional loans. The Secretary of Agriculture testifying before the House Subcommittee on Agricultural Appropriations stated that the commitments of the Corporation had increased from \$2.2 billion in November 1952 to \$5.2 billion in November 1953. He further testified that potential commitments between November 1953 and the end of January 1954 had probably exhausted the remaining unencumbered funds within the CCC borrowing authorization of \$6.75 billion.

Without additional action, this situation would have resulted in the, at least temporary, cessation by the Department of Agriculture of all farm price-support activities financed by the Commodity Credit Corporation. A measure of temporary relief was provided in early February this year by congressional action directing the United States Treasury to cancel some \$500 million of CCC notes. However, this action does not appear sufficient to enable the Corporation to finish out the price-support promises of the Department for the 1954 crop year. Much less is sufficient borrowing authority available to finance whatever price-support program Congress may enact for 1955 and later years.

If the intent of Congress to provide farm price supports by means of Commodity Credit Corporation loans is not to be nullified it is perfectly obvious that sufficient funds must be available to CCC for this purpose.

In this connection, it should be noted that President Eisenhower has recommended that Commodity Credit Corporation stocks to the value of \$2.5 billion be put away in an "insulated set-aside." If provision were made whereby the Commodity Credit Corporation would be reimbursed for the stocks transferred to this insulated set-aside, such action would give the Corporation an additional \$2.5 billion from which to carry on its price-support operations within its present \$6.75 billion borrowing authority. This action could be taken under the provisions of the Strategic and Critical Materials Stockpiling Act. This procedure is suggested for cotton by H. R. 6873, introduced by Congressman Brooks, of Louisiana, and for wheat by H. R. 7315, by Congressman Metcalf, of Montana.

This type of action we believe would be the most appropriate way to provide additional uncommitted funds for the Commodity Credit Corporation. In fact such action would give CCC \$2.5 billion in additional unencumbered funds which is \$750 million more than the \$1.75 increase in borrowing authority provided by the bill your committee has under consideration.

If, however, the administration is unwilling to reimburse the Commodity Credit Corporation for stocks transferred to the insulated set-aside from funds specifically appropriated for the purposes for which these stocks will be used; i. e., safely reserve, unusual foreign sales and donations, and unusual domestic distribution, the only recourse if the price-support program is not to be killed, is to expand CCC borrowing authority as provided in the bill before you.

Moreover, there is this to be said. It is obvious that increased funds for Commodity Credit Corporation are needed. Such funds are used for interest-bearing loans not Government expenditures. If price-support loans to the full extent of CCC borrowing authority are not required, the money never leaves the United States Treasury. It is, therefore, prudent, and not wasteful, to provide CCC with more borrowing authority than it may be called upon to use.

Inasmuch as reimbursement of CCC for stock transferred to the insulated set-aside is still an unsettled question and since additional unused CCC borrowing authority will not be any strain at all on the United States Treasury, National Farmers Union endorses the bill before you and will support expansion of the borrowing authority of Commodity Credit Corporation from the present limit of \$6.75 billion to \$8.5 billion.

At the same time we shall continue to urge that Commodity Credit Corporation be reimbursed for such of its commodities as may be insulated and set aside for use in special domestic distribution programs, for foreign sale and distribution programs to bolster the foreign policy, and for establishment of safety reserves against natural emergency, war risk and civilian defense needs. Stocks used for these purposes should be paid for by specific appropriations not by the Commodity Credit Corporation and charged to farmers as price-support losses.

×

S. 2714

IN THE SENATE OF THE UNITED STATES

JANUARY 15 (legislative day, JANUARY 7), 1954

Mr. AIKEN (by request) introduced the following bill; which was read twice
and referred to the Committee on Agriculture and Forestry

A BILL

To increase the borrowing power of Commodity Credit
Corporation.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That section 4 of the Act approved March 8, 1938 (52 Stat.
4 108), as amended, is amended by striking out “\$6,750,000,-
5 000” and inserting in lieu thereof “\$8,500,000,000”.

6 SEC. 2. Section 4 (i) of the Commodity Credit Cor-
7 poration Charter Act (62 Stat. 1070), as amended, is
8 amended by striking out “\$6,750,000,000”, and inserting
9 in lieu thereof “\$8,500,000,000”.

10 SEC. 3. This Act shall be effective July 1, 1954.

A BILL

To increase the borrowing power of Commodity
Credit Corporation.

By Mr. AIKEN

JANUARY 15 (legislative day, JANUARY 7), 1954
Read twice and referred to the Committee on
Agriculture and Forestry

H. R. 7339

IN THE HOUSE OF REPRESENTATIVES

JANUARY 18, 1954

Mr. WOLCOTT introduced the following bill; which was referred to the Committee on Banking and Currency

A BILL

To increase the borrowing power of Commodity Credit Corporation.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That section 4 of the Act approved March 8, 1938 (52 Stat.
4 108), as amended, is amended by striking out “\$6,750,000,-
5 000” and inserting in lieu thereof “\$8,500,000,000”.

6 SEC. 2. Section 4 (i) of the Commodity Credit Corpo-
7 ration Charter Act (62 Stat. 1070), as amended, is amended
8 by striking out “\$6,750,000,000” and inserting in lieu
9 thereof “\$8,500,000,000”.

10 SEC. 3. This Act shall be effective July 1, 1954.

83d CONGRESS
2d Session

H. R. 7339

A BILL

To increase the borrowing power of Commodity
Credit Corporation.

By Mr. WOLCOTT

JANUARY 18, 1954

Referred to the Committee on Banking and Currency

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(For Department Staff Only)

Issued January 28, 1954
For actions of January 27, 1954
83rd-2nd, No. 15

CONTENTS

Accounting.....	17	Flood control.....	18,35	Prices, support.....	16
Animal diseases.....	1	Food reserve.....	27	Reclamation.....	6,22
Appropriations.....	1,3	Foreign aid.....	34	Reorganization.....	30
Budgeting.....	16	Forestry.....	41	Reports.....	5,14,29
Cattle industry.....	40	Health.....	37	St. Lawrence seaway.....	32
Coffee.....	4,28	Housing.....	19	Soil conservation.....	30
C. C. C.....	1,10,20	Labor, farm.....	3	Statehood.....	11,36
Drought relief.....	2,25	Margarine.....	23	Surplus commodities	1,9,15,20
Education.....	21	Personnel.....	3,12,26,29	Trade, foreign.....	1,38
Farm program.....	31	Postal rates.....	39	Transportation.....	5,14

HIGHLIGHTS: House passed measure to restore CCC's capital impairment, etc. Whitten amendments, to stockpile certain commodities and sell others in world market, were ruled out of order. House received budget estimate for Mexican farm-labor program. Rep. Moulder criticized USDA's handling of drought-relief program. Senate committee reported bill to increase CCC borrowing authority. Senate committee reported Hawaii statehood bill. Rep. Jensen inserted his statement favoring Secretary's SCS reorganization and inserted USDA press releases on this subject. Reps. Whitten and Winstead introduced bills authorizing sale of CCC commodities. Rep. Carnahan introduced bill authorizing distribution of CCC commodities to American taxpayers. Rep. Trimble introduced bill to aid drought areas.

HOUSE

- 1. COMMODITY CREDIT CORPORATION.** Passed, 323-27, without amendment H. J. Res. 358, to discharge CCC indebtedness to the Treasury in the amount of \$741,548,788 as follows: Capital impairment, \$609,930,933; international wheat agreement, \$129,553,795; and eradication of foot-and-mouth disease, \$2,064,060 (pp. 847-69). Two amendments by Rep. Whitten were ruled out of order on points raised by Rep. Horan that the amendments were not germane to the measure (pp. 857-61, 866-8). One of these amendments (which Rep. Whitten said should be considered by the legislative committee as separate legislation) would direct CCC to determine what part of present stocks of commodities should be held as essential to the national security or in the national interest, would require transfer of such commodities to the Department of Defense, and would require that remaining CCC commodities be offered for sale outside the U. S. at prevailing or competitive world prices. The other amendment would require that CCC commodities, in the amount specified in H. J. Res. 358, be offered for export sale at prevailing or competitive world prices.
- 2. DROUGHT RELIEF.** Rep. Moulder criticized USDA's handling of the drought-relief program as "inefficiently and unfairly administered" and inserted a telegram from the Missouri Governor to Secretary Benson requesting the Federal Government to reimburse Missouri for expenditures made under this program (p. 842).
- 3. FARM-LABOR APPROPRIATION.** Received the President's budget estimate of \$550,000 for the Labor Department to continue the Mexican farm-labor program (H. Doc. 308)(p. 882).

4. COFFEE PRICES. Reps. Sullivan and Gross blamed the State Department, etc., for increases in coffee prices (pp. 840-2, 846).
5. TRANSPORTATION. Received ICC's annual report (p. 882).
6. RECLAMATION. Rep. Shelley spoke favoring construction of the Santa Maria project, Calif., but criticized parts of H. R. 2235, authorizing the project (pp. 873-4).
7. TREATIES. Rep. Roosevelt spoke against the Bricker amendment to restrict the President's treaty power (pp. 876-81).
8. PERSONNEL. Rep. Rees spoke on the need for "maintaining the highest standards in our Federal civil service" which "applies to integrity and moral conduct as well as ability," and recommended that the loyalty program should be separate from the program dealing with suitability of employees (pp. 872-3).
9. SURPLUS COMMODITIES; FOREIGN TRADE. Received an American Legion (N. J. Department) petition opposing sale of surplus butter and cottonseed oil to Russia (p. 885).

SENATE

10. CCC BORROWING AUTHORITY. The Agriculture and Forestry Committee reported with amendment S. 2714, to increase the borrowing power of the Commodity Credit Corporation from \$6,750,000,000 to \$8,500,000,000 (S. Rept. 888) (p. 798). The "Daily Digest" states that "The amendment to this bill would strike out the effective date of July 1, 1954, and would make the provisions effective immediately upon enactment" (p. D68). Sen. Williams submitted amendments to this bill (p. 805).
11. HAWAII STATEHOOD. The Interior and Insular Affairs Committee reported with amendments S. 49, the Hawaii statehood bill (S. Rept. 886) (p. 798). The "Daily Digest" stated that prior to approval of this bill the committee adopted a motion made by Sen. Dworshak to reconsider the vote by which Title II, providing statehood for Alaska, was attached to S. 49 and unanimously agreed that the Alaska bill (S. 50) will be voted on by the committee not later than Feb. 4 (p. D68).
12. PERSONNEL. Agreed to print the report on retirement provisions for Federal personnel (S. Doc. 89) (pp. 798-99).
13. TREATIES. Continued debate on S. J. Res. 1, proposing a constitutional amendment to limit the President's treaty power (pp. 806-9, 820-29).
14. TRANSPORTATION. Received ICC's annual report (p. 797).
15. SURPLUS FOOD. Sen. Morse spoke on the problem of the disposal of surplus food, stating that he would give his "wholehearted cooperation in trying to work out a procedure by which quantities of surplus food can be made available to every person in the U. S. who needs it and does not have the wherewithal to purchase it" (pp. 829-30).
16. BUDGETING. Sen. Morse discussed the President's budget, claiming that it would dampen and shrink the national economy and stating that "The policy of inflexible 100 percent of parity price supports for industrial monopolists is in marked contrast to the sliding scale flexible price supports that the administration wants farmers to accept" (pp. 830-38).

COMMODITY CREDIT CORPORATION BORROWING
AUTHORITY

JANUARY 27 (legislative day, JANUARY 22), 1954.—Ordered to be printed

Mr. AIKEN, from the Committee on Agriculture and Forestry,
submitted the following

REPORT

[To accompany S. 2714]

The Committee on Agriculture and Forestry, to whom was referred the bill (S. 2714) to increase the borrowing power of Commodity Credit Corporation, having considered same, report thereon with a recommendation that it do pass with an amendment.

S. 2714 would increase the borrowing authority of the Commodity Credit Corporation from \$6,750,000,000 to \$8,500,000,000. The need for this increase is fully described in the letter from the Secretary of Agriculture requesting the increase and in the statement described in the Secretary's letter, both of which are attached hereto as exhibits 1 and 2, respectively. Since that letter was written a survey by the Department of loans approved by its county committees has disclosed that for a variety of reasons commodities have been going under loan at a greatly accelerated pace. On the basis of that survey the Department now estimates that \$6,734,000,000 of its borrowing authority has been, or will be, obligated this month, leaving only \$16 million unobligated. In view of this later estimate immediate action on S. 2714 is imperative in order to prevent interference with our price-support programs.

The committee amendment, by striking out the effective-date provision, would make the bill effective immediately upon enactment.

EXHIBIT 1

JANUARY 14, 1954.

THE PRESIDENT OF THE SENATE,
United States Senate.

DEAR MR. PRESIDENT: This Department recommends the enactment of legislation to increase the borrowing authority of the Commodity Credit Corporation from \$6,750,000,000 to \$8,500,000,000, effective July 1, 1954.

At the outset it should be emphasized that it is impossible to forecast with any degree of accuracy the requirements for borrowing authority necessary to

fulfill the statutory obligations of the Commodity Credit Corporation either in total or within a given crop year. The obligations incurred or funds actually expended are largely determined by statutory requirements, yields from crops not yet planted, weather, future prices, and general prevailing economic conditions over which the Corporation has no control. Our best estimates indicate, however, that this increase is necessary to maintain the stability of the Corporation and assure successful operation of present price-support legislation.

The increase in borrowing authority does not, in itself, commit the Commodity Credit Corporation to expend funds. It is rather an authorization. The Congress determines how the authorization will be used by prescribing in the statutes the price-support programs to be carried out. In this connection, early passage of the administration's proposed farm program is urged in order to reduce, as soon as possible, the demands on the Commodity Credit Corporation and the Treasury.

As of November 30, 1953, the Corporation had outstanding borrowings of \$4,148 million and it was obligated to purchase \$1,525 million of loans and certificates held by banks and other lending agencies participating in the loan programs of the Corporation. This made a total of \$5,673 million of its statutory borrowing power actually in use. It also had other obligations already contracted in the amount of \$259 million, some part of which will require additional borrowings to liquidate (such as purchase agreements, accounts payable, accrued liabilities, etc.) making a grand total of \$5,932 million of its borrowing authority in use as of November 30. This represents an increase of \$3 billion over similar obligations outstanding as of December 31, 1952. It is estimated that the Corporation will incur obligations totaling an additional \$0.8 billion by the end of February 1954, making its obligations outstanding as of that date total \$6.7 billion—an increase of \$3.8 billion during the 14-month period since January 1, 1953. Thus it may readily be seen that if obligations subsequent to February 1954 increase as in the preceding recent past, a borrowing authority of \$8.5 billion is definitely required.

There is attached a draft of a bill embodying the necessary amendments to existing legislation to accomplish an increase in the borrowing authority together with a statement indicating factors affecting use of the borrowing authority of the Commodity Credit Corporation. This latter statement may be helpful to the committee to which this proposal is referred.

The Bureau of the Budget advises that there is no objection to the submission of this proposed legislation to the Congress for its consideration.

Sincerely yours,

E. T. BENSON, *Secretary*.

Enclosures.

EXHIBIT 2

FACTORS AFFECTING USE OF THE BORROWING AUTHORITY OF THE COMMODITY CREDIT CORPORATION

Budget assumptions.—The Corporation's budget estimates for 1954 and 1955 are based on the general assumptions (a) that employment, production, and incomes will continue high through fiscal year 1955; (b) that prices, on the average, will not exceed the 1953 level; (c) that yields will be in line with recent averages; and (d) that acreage allotments and marketing quotas will be in effect on the 1954 crops of peanuts, certain kinds of tobacco, wheat, and cotton in accordance with existing legislation; and acreage allotments will be in effect on the 1954 crop of corn.

Supply and utilization.—On the basis of these assumptions estimates of the supply and utilization of individual commodities are made and these in turn become the significant factors upon which the estimated volume of price-support operations is predicated. With domestic disappearance of most commodities fairly stabilized, the two most dominating influences upon the level of price-support operations are exports and production. However, seasonal price variations on individual commodities resulting from a variety of causes have a definite effect on the peak amount of funds invested in price-support operations any one time during a crop year.

Exports.—Declines in exports, primarily cotton and wheat, have already contributed to increasing stocks of these commodities owned or controlled by the Corporation. A continued low level of exports for these commodities will serve to intensify the problems of supporting prices of cotton and wheat. Rice is an

important exception to the general decline in exports, due in part to a short crop in Japan. We are presently exporting nearly twice the volume of rice as was exported during the crop years 1947-50. Production has trended upward in line with the increased exports. Should these exports drop off appreciably it is reasonable to assume that the total decrease in exports would flow into price-support channels. To illustrate, a 40-percent decrease in exports—10 million hundred-weight—could mean additional CCC loans of nearly \$50 million without giving any recognition to the additional effect such a development would have upon present prices.

Production.—It is estimated that unless an early cancellation of notes is made to restore the capital impairment of the Corporation and to reimburse it for International Wheat Agreement costs a maximum of approximately \$6.7 billion of the Corporation's borrowing authority will be in use during 1954 and \$7 billion in the fiscal year 1955. It should be emphasized, however, that this estimate for 1955 has been prepared from data included in the current budget estimates which are based on the assumptions "that yields would be in line with recent averages" and "that acreage allotments and marketing quotas will be in effect * * * in accordance with existing legislation." Actual yields per acre have been increasing steadily each year. Also, with acreage controls in effect for cotton, corn, and wheat, it may be assumed that producers will use more fertilizer and insecticides and select their best lands for the production of those crops upon which acreage allotments have been placed, thereby obtaining still higher yields. Under present legislation, the cotton allotment is set to produce 10 million bales of cotton with an average yield of 268 pounds of lint per acre—or 17,900,000 acres. If legislation is enacted which will increase the acreage allotment to around 21 million acres as is anticipated, production will increase accordingly. If it is assumed (a) that cotton acreage will be increased, (b) that yields of cotton, corn, and wheat will be in line with higher than average yields in recent years, and (c) that the increased supplies will go under price support, approximately \$1 billion would be added to the borrowing authority required. There is shown below a summary of the production and yield for the 1954 crops of cotton, corn, and wheat upon which the budget estimates are based, compared with estimated production and yield in the light of factors discussed above, and their possible effect upon the volume of price-support operations.

	Current budget estimates, fiscal year 1955				Estimates based on larger production				Increased price support operations
	Yield per acre		Production		Yield per acre		Production		
	Amount	Unit	Amount	Unit	Amount	Unit	Amount	Unit	
Cotton ¹	281	Lb-----	10,000,000	Bale----	307	Lb-----	12,587,000	Bale----	\$414,000,000
Corn-----	39.2	Bu-----	3,000,000,000	Bu-----	42.2	Bu-----	3,234,000,000	Bu-----	374,000,000
Wheat-----	15.2	Bu-----	975,000,000	Bu-----	² 16.7	Bu-----	1,065,000,000	Bu-----	198,000,000
Total-----		-----		-----				-----	986,000,000

¹ Assumes legislation will be enacted increasing minimum allotment to 21 million acres. Allowance made for underplantings of 500,000 acres.

² A yield of 18.3 bushels per acre was attained in 1942.

Diverted acreage.—A further factor influencing the volume of price-support operations will be crops devoted to acreage diverted from cotton, corn, and wheat to other crops eligible for price support. This has been taken into consideration to some extent in the budget estimates but it is impossible to forecast the future developments in this respect with any degree of accuracy. The administration is already committed to price support on feed grains, soybeans, flaxseed, and other crops for which diverted acres might be used. Although the level of support is in some instances lower than in the recent past, nevertheless increased yields and weak prices could add as much as \$200 million to the borrowing authority required. Further, any general price declines and business difficulties would be reflected in a generally increased volume of price-support operations for all commodities.

During this period of high production and diminished exports, the volume of price-support operations required by law are estimated to continue at a high level. While production controls will be in effect for certain commodities there is no

assurance that they will be fully successful because of yield potentialities. The timing of the peak requirements for borrowing authority for individual commodities varies from time to time as general economic circumstances affecting the respective commodities change. It is important, therefore, that the borrowing authority of the CCC be large enough to cover any reasonably anticipated needs. The past history of the operations of the Corporation is replete with examples of the violently changing demands upon it: From December 1947 to December 1948, the total obligations against the borrowing authority of the Corporation increased \$1.5 billion; from December 1948 to December 1949, the increase was \$1.7 billion; between February 1950 and January 1951, outstanding obligations decreased \$1.2 billion; from December 1952 to November 1953, an 11-month period, obligations have increased \$3 billion and it is estimated that an additional \$800 million will be obligated by February 1954. If even a much smaller increase should take place in the period from December 1953 to January 1955, it is apparent that a total authorization of \$8.5 billion will definitely be required.

A table (exhibit A) summarizing these changes in obligations is attached.

EXHIBIT A.—*Analysis of obligations of Commodity Credit Corporation outstanding and net change between periods of maximum use of borrowing authority*

[Billions of dollars]

Calendar year	Maximum use of borrowing authority				
	Month of peak	Total amount		Statutory	
		Out-standing	Increase(+) or decrease(−) from prior period	Out-standing	Increase(+) or decrease(−) from prior period
Actual:					
1947.....	December.....	0.7	-----	0.6	-----
1948.....	do.....	2.2	+1.5	1.6	+1.0
1949.....	do.....	3.9	+1.7	3.3	+1.7
1950.....	February.....	4.4	+ .5	3.8	+ .5
1951.....	January.....	3.2	−1.2	3.0	− .8
1952.....	December.....	2.9	− .3	2.8	− .2
1953.....	November.....	5.9	+3.0	5.7	+2.9
Estimated: 1954 ¹	February.....	6.7	+ .8	6.4	+ .7

¹ It is anticipated that a cancellation of notes totalling \$773 million in February will enable the Corporation to stay within the statutory borrowing authority.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

ACT OF MARCH 8, 1938, AS AMENDED

* * * * *

SEC. 4. With the approval of the Secretary of the Treasury, the Commodity Credit Corporation is authorized to issue and have outstanding at any one time, bonds, notes, debentures, and other similar obligations in an aggregate amount not exceeding **[\$6,750,000,000]** *\$8,500,000,000*. Such obligations shall be in such forms and denominations, shall have such maturities, shall bear such rates of interest, shall be subject to such terms and conditions, and shall be issued in such manner and sold at such prices as may be prescribed by the Commodity Credit Corporation, with the approval of the Secretary of the Treasury. Such obligations shall be fully and unconditionally guaranteed both as to interest and principal by the United States, and such guaranty shall be expressed on the face thereof, and such obligations shall be lawful investments and may be accepted as security for all fiduciary, trust, and public funds the investment or deposit

of which shall be under the authority or control of the United States or any officer or officers thereof. In any event that the Commodity Credit Corporation shall be unable to pay upon demand, when due, the principal of, or interest on, such obligations, the Secretary of the Treasury shall pay to the holder the amount thereof which is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, and thereupon to the extent of the amount of the holders of such obligations. The Secretary of the Treasury, in his discretion, is authorized to purchase any obligations of the Commodity Credit Corporation issued hereunder, and for such purpose the Secretary of the Treasury is authorized to use as a public-debt transaction the proceeds from the sale of any securities hereafter issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under such Act, as amended, are extended to include any purchases of the Commodity Credit Corporation's obligations hereunder. The Secretary of the Treasury may at any time sell any of the obligations of the Commodity Credit Corporation acquired by him under this section. All redemptions, purchases, and sales by the Secretary of the Treasury of the obligations of the Commodity Credit Corporation shall be treated as public-debt transactions of the United States. No such obligations shall be issued in excess of the assets of the Commodity Credit Corporation, including the assets to be obtained from the proceeds of such obligations, but a failure to comply with this provision shall not invalidate the obligations or the guaranty of the same: *Provided*, That this sentence shall not limit the authority of the Corporation to issue obligations for the purpose of carrying out its annual budget programs submitted to and approved by the Congress pursuant to the Government Corporation Control Act (31 U. S. C., 1946 edition, sec. 841). The Commodity Credit Corporation shall have power to purchase such obligations in the open market at any time and at any price.

* * * * *

COMMODITY CREDIT CORPORATION CHARTER ACT

* * * * *

SEC. 4. GENERAL POWERS.—The Corporation * * *

* * * * *

(i) May borrow money subject to any provision of law applicable to the Corporation: *Provided*, That the total of all money borrowed by the Corporation, other than trust deposits and advances received on sales, shall not at any time exceed in the aggregate **[\$6,750,000,000]** \$8,500,000,000. The Corporation shall at all times reserve a sufficient amount of its authorized borrowing power which, together with other funds available to the Corporation, will enable it to purchase, in accordance with its contracts with lending agencies, notes, or other obligations evidencing loans made by such agencies under the Corporation's program.



S. 2714

[Report No. 888]

IN THE SENATE OF THE UNITED STATES

JANUARY 15 (legislative day, JANUARY 7), 1954

Mr. AIKEN (by request) introduced the following bill; which was read twice and referred to the Committee on Agriculture and Forestry

JANUARY 27 (legislative day, JANUARY 22), 1954

Reported by Mr. AIKEN, with an amendment

[Omit the part struck through]

A BILL

To increase the borrowing power of Commodity Credit Corporation.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 That section 4 of the Act approved March 8, 1938 (52 Stat.
4 108), as amended, is amended by striking out "\$6,750,000,-
5 000" and inserting in lieu thereof "\$8,500,000,000"

6 SEC. 2. Section 4 (i) of the Commodity Credit Cor-
7 poration Charter Act (62 Stat. 1070), as amended, is
8 amended by striking out "\$6,750,000,000", and inserting
9 in lieu thereof "\$8,500,000,000".

10 SEC. 3. This Act shall be effective July 1, 1954.

Constitutional Amendment—Treaties: Senate considered S. J. Res. 1, proposing an amendment to the Constitution of the U. S. relative to the making of treaties and executive agreements, adopting Knowland motion (entered on June 18, 1953) to reconsider Senate's action on June 18, 1953, in agreeing to the committee amendment in the nature of a substitute for S. J. Res. 1. Pending at recess was George amendment (to the committee amendment) to the effect that a provision of a treaty or international agreement which conflicts with the Constitution shall be of no force or effect and that an international agreement other than a treaty shall become effective as internal law in the U. S. only by an act of Congress.

Pages 820-829

Nominations: Two civilian nominations were received.

Page 838

Program for Thursday: Senate recessed at 5:15 p. m. until noon Thursday, January 28, when it will continue on S. J. Res. 1, proposed constitutional amendment on treaties.

Committee Meetings

(Committees not listed did not meet)

CCC BORROWING POWER

Committee on Agriculture and Forestry: Committee, in executive session, ordered favorably reported, with an amendment, S. 2714, to increase the borrowing power of the Commodity Credit Corporation. The amendment to this bill would strike out the effective date of July 1, 1954, and would make the provisions effective immediately upon enactment.

Also, in executive session, the committee met with Howard H. Gordon, Administrator, Commodity Stabilization Service; Don S. Anderson, Deputy Director, Livestock and Dairy Division; and Karl D. Loos, Solicitor, all of the Agriculture Department, for the purposes of discussing the disposition of CCC stocks of corn and dairy products.

APPROPRIATIONS—ARMY CIVIL FUNCTIONS

Committee on Appropriations: Subcommittee continued its hearings on proposed 1955 budget estimates for Army civil functions, and received an overall presentation of the proposed funds from Maj. Gen. Samuel D. Sturgis, Chief of Army Engineers. Hearings will continue January 29.

U. S. BASES OVERSEAS

Committee on Armed Services: Subcommittee on Real Estate and Military Construction held hearings on the feasibility of exchanging surplus agricultural commodities for materials or services needed in connection with construction of U. S. bases overseas. Witnesses testifying were Senator McCarran; John H. Davis, Assistant Secretary of Agriculture; Samuel C. Waugh, Assistant Secretary of State for Economic Affairs; Rear Adm.

Joseph F. Jelley, Director of Construction, Defense Department; and Rear Adm. J. R. Perry, Chief of Bureau of Yards and Docks, Navy Department.

Following the hearings, subcommittee went into executive session, but made no announcements.

FOREIGN TRADE HEARINGS

Committee on Banking and Currency: Committee continued its hearings pursuant to S. Res. 25 (83d Cong., 1st sess.), authorizing study of the operations of the Export-Import Bank and the International Bank for Reconstruction and Development and their relationship to expansion of international trade, with testimony today from Hawthorne Arey, Assistant Managing Director, Export-Import Bank. Mr. Arey testified in detail as to the operations and history of the bank, and answered various questions of committee members with regard thereto. Hearings continue tomorrow.

HAWAII STATEHOOD

Committee on Interior and Insular Affairs: Committee, in executive session, by a vote of 12 to 3, ordered favorably reported with amendments S. 49, providing statehood for Hawaii. Prior to approval of this bill, the committee, by a vote of 8 to 7, adopted a motion made by Senator Dworshak to reconsider the vote by which title II, providing statehood for Alaska, was attached to S. 49.

Following these actions, the committee unanimously agreed that the Alaska bill (S. 50) will be voted on by the committee not later than February 4, and that a meeting be held not later than February 3 for the purpose of marking up this bill.

ALASKA STATEHOOD

Committee on Interior and Insular Affairs: Subcommittee on Territories and Insular Affairs met in executive session with Gov. B. Frank Heintzleman of Alaska for the consideration of S. 50, granting statehood to Alaska. The Governor's testimony concerned the various potentialities of the proposed new State, with particular reference to its ability for future self-support. Hearings continue tomorrow with representatives of the Defense Department.

CIVIL RIGHTS

Committee on the Judiciary: Subcommittee continued its hearings on S. 1 and S. 535, both bills to establish a Commission on Civil Rights, with testimony from the following witnesses: Sidney Hollander, National Community Relations Council, and Nathaniel H. Goodrich, American Jewish Committee, both of whom favored the bill with certain suggested amendments; Edgar G. Brown, director, National Negro Council, who also favored enactment; and Clarence Mitchell, NAACP, who continued his testimony from yesterday, suggesting certain amendments to the bills. Subcommittee recessed subject to call.

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

Issued February 9, 1954

For actions of February 8, 1954

S3rd-2nd, No. 23

OFFICE OF BUDGET AND FINANCE
(For Department Staff Only)

CONTENTS

Butter.....5	Food distribution.....17	Property.....23
Coffee prices.....1,24	Foreign affairs.....7	Public works.....19
C. C. C.....1,4,13	Foreign aid.....29	Purchasing.....17
Dairy products.....5	Forestry.....30	Reports.....9
Economic advisers.....2	Incentive awards.....22	Retirement.....22
Economic policy.....7	Labor, farm.....20	Sugar.....28
Electrification.....12	Labor standards.....25	Surplus commodities.....15
Extension work.....10	Lands, research.....8	Taxation.....23
Farm policy.....27	Nominations.....2	Trade, foreign.....26,27,28
Farm program.....14	Personnel.....6,11,22	Treaties.....3
Farm training.....21	Prices, support.....5,27	Wool.....16

HIGHLIGHTS: House received conference report on CCC indebtedness measure. Sen. Aiken and Rep. Hepe introduced wool bill. Rep. Johnson (Wis.) recommended 100% mandatory price supports for dairy products, and Rep. Javits opposed this and urged butter consumption. Senate discussed CCC borrowing authority bill. Senate discussed bill to rotate CCC stocks.

SENATE

1. COMMODITY CREDIT CORPORATION; COFFEE PRICES. Discussed and passed over S. 2714, to increase CCC borrowing authority (pp. 1433-4); S. 1381, to provide for rotation of CCC stocks (p. 1444); and S. 1386, to extend the Commodity Exchange Act to coffee (p. 1438).
2. NOMINATIONS. Confirmed the nominations of Neil H. Jacoby and Walter W. Stewart to the Council of Economic Advisers (p. 1444).
3. TREATIES. Continued debate on S. J. Res. 1, the Bricker amendment to limit treaty powers (pp. 1432-3).

HOUSE

4. COMMODITY CREDIT CORPORATION. Received the conference report on H. J. Res. 358, to discharge certain CCC indebtedness. The statement of House conferees is as follows: "Authorizes restoration of capital impairment of the Commodity Credit Corporation in the amount of \$550,151,848, instead of \$609,930,933 as proposed by the House and \$114,283,062 as proposed by the Senate. The amount agreed upon in this amendment, together with the other two items provided in the joint resolution, provides a total capital restoration of \$681,769,703, instead of \$741,548,788 as proposed by the House and \$245,900,917 as proposed by the Senate." (H. Rept. 1184; p. 1347.)
5. PRICE SUPPORTS. Rep. Johnson, Wis., recommended 100% mandatory price supports for dairy products (pp. 1349-50), and Rep. Javits opposed this and urged consumption of surplus butter (pp. 1352-3).

6. PERSONNEL. The Post Office and Civil Service Committee reported with amendments H. R. 7554, to provide for pay of certain employees on days when Government agencies are closed by administrative order (H. Rept. 1185)(pp. 1361-2).
7. FOREIGN ECONOMIC POLICY. Received a minority report from the Commission on Foreign Economic Policy (H. Doc. 290, pt. 11)(p. 1361).
8. RESEARCH LANDS. The Interior and Insular Affairs Committee reported with amendment H. R. 4984, to remove the reversion clause in connection with a tract of USDA research land which had been transferred to Miles City, Mont. (H. Rept. 1187)(p. 1362).
9. REPORTS. The Government Operations Committee reported with amendment H. R. 6290, to discontinue various reports now required by law (H. Rept. 1193)(p. 1362).
10. EXTENSION WORK. The Government Operations Committee reported without amendment H. J. Res. 300, directing GSA to convey a tract of surplus land to the Texas Hill Country Development Foundation for use by 4-H Clubs, etc. (H. Rept. 1194)(p. 1362).

COMMITTEE HEARINGS RELEASED BY GPO

81st Cong.

11. PERSONNEL. Performance Rating Act of 1950, H. R. 7264, H. R. 7824, H. Post Office and Civil Service Committee.
12. ELECTRIFICATION. Power Policy. H. Interior and Insular Affairs Committee.
13. COMMODITY CREDIT CORPORATION Borrowing Power, S. 2714. S. Agriculture and Forestry Committee.
14. FARM PROGRAM, Long Range, Serial R, Part 12. H. Agriculture Committee.
15. SURPLUS COMMODITIES, Exchange of. S. Armed Services Committee.

BILLS INTRODUCED

16. WOOL. S. 2911, by Sen. Aiken, and H. R. 7775, by Rep. Hope, "to provide for the development of a sound and profitable domestic wool industry under our national policy of expanding world trade; to encourage increased domestic production of wool for our national security"; to Senate Agriculture and Forestry Committee and House Agriculture Committee (pp. 1362, 1413-14).
17. FOOD DISTRIBUTION. H. R. 7767, by Rep. Bolling, to provide for distribution of surplus commodities through a food-allotment program; to Agriculture Committee (p. 1362).
18. PURCHASING. H. R. 7790, by Rep. Smith, Miss., to provide for placing certain contracts in low-income States; to Government Operations Committee (p. 1363).
19. PUBLIC WORKS. S. 1913, by Sen. Douglas, and H. R. 7766, by Rep. Bolling, to establish a public-works program; to Public Works Committee (pp. 1362, 1414).
20. FARM LABOR. H. R. 7768, by Rep. Budge, to exempt certain irrigation works from the Fair Labor Standards Act; to Education and Labor Committee (p. 1362).
21. FARM TRAINING. H. R. 7769, by Rep. Dolliver, to provide for apprentice or other training on the job in agricultural occupations; and H. R. 7770, by Rep. Dolliver, to provide institutional on-farm training for the veteran who performs part of his course as employee of another; to Veterans' Affairs Committee (p. 1362).

amendment, to move that the entire matter be recommitted.

Mr. KNOWLAND. We shall be glad to meet that issue at that time.

AUTHORIZED PERSONNEL STRENGTH OF THE ARMED FORCES

Mr. SALTONSTALL. Mr. President, it is my understanding that the Senate has under consideration Calendar No. 857, Senate bill 1647.

The PRESIDING OFFICER. That is correct.

Mr. SALTONSTALL. Mr. President, since S. 1647 was placed on the calendar, H. R. 2326, a similar bill, was passed by the House and is No. 888 on the calendar.

I ask unanimous consent that the Senate proceed to consider the House bill, H. R. 2326. I shall then ask that the House bill be amended by striking, on line 7, the year "1958" and inserting in lieu thereof "1957." This change will conform to the language of S. 1647.

This bill, with the suggested amendment, extends for 3 years—from July 1, 1954, to July 1, 1957—the existing legislation suspending the ceilings on the authorized active duty strength of the Armed Forces. The several statutes which authorize an overall ceiling of 2,005,882 for the Armed Forces were suspended until July 31, 1954, by the act of August 3, 1950.

If Congress does not pass this bill, the Armed Forces on August 1 will have to reduce their overall strength to the 2,005,822 level. We all know that for the foreseeable future the strength of the Armed Forces must be in excess of 2,005,882. The President in his budget message stated that as of June 30, 1954, the total military strength of the Armed Forces will number about 3.3 million men, and that as of June 30, 1955, will number slightly above 3 million.

The committee amended the bill by extending the suspension for only 3 years rather than 4 years, which the bill, as introduced, provided. The committee was of the opinion that 3 years was a sufficient period for defense planning purposes since, generally speaking, planning in the Defense Department is based on a 3-year cycle.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Massachusetts?

There being no objection, the Senate proceeded to consider the bill (H. R. 2326) to amend the act of August 3, 1950, as amended, to continue in effect the provisions thereof relating to the authorized personnel strengths of the Armed Forces.

Mr. SALTONSTALL. I offer the amendment to which I referred, striking out, on line 7, "1958" and inserting in lieu thereof "1957."

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Massachusetts.

The amendment was agreed to.

The amendment was ordered to be engrossed and the bill to be read the third time.

The bill was read the third time and passed.

Mr. SALTONSTALL. Mr. President, I ask unanimous consent that Senate bill 1647 be indefinitely postponed.

The PRESIDING OFFICER. Without objection, it is so ordered.

BILLS PASSED OVER

The bill (S. 2772) to provide for the disposal of paid postal savings certificates was announced as next in order.

Mr. GORE. Over.

The PRESIDING OFFICER. The bill will be passed over.

Mr. CARLSON. Mr. President, did the Senator from North Dakota object?

The PRESIDING OFFICER. No; the Senator from Tennessee objected.

The bill (H. R. 5379), to authorize the printing and mailing of periodical publications of certain societies and institutions at places other than places fixed as the offices of publication was announced as next in order.

Mr. GORE. Over.

The PRESIDING OFFICER. The bill will be passed over.

EXEMPTIONS OF CERTAIN RETIRED COMMISSIONED OFFICERS

The bill (H. R. 5959) to exempt certain commissioned officers retired for disabilities caused by instrumentalities of war from the limitation prescribed by law with respect to the combined rate of retired pay and of compensation as civilian employees of the Government which retired officers may receive, was considered, ordered to a third reading, read the third time, and passed.

PRINTING OF ADDITIONAL COPIES OF SENATE REPORT NO. 848

The resolution (S. Res. 194) to print additional copies of Senate Report No. 848, 83d Congress, on Korean atrocities, was considered and agreed to, as follows:

Resolved, That the Committee on Government Operations be authorized to have printed for its use 50,000 copies of Senate Report No. 848, a report pursuant to Senate Resolution 40, 83d Congress, 1st session, relative to an investigation of Korean war atrocities.

PRINTING OF TASK FORCE REPORTS OF COMMISSION ON JUDICIAL AND CONGRESSIONAL SALARIES

The Senate proceeded to consider the resolution (S. Res. 202) providing for the printing of the task force reports of the Commission on Judicial and Congressional Salaries which had been reported from the Committee on Rules and Administration with an amendment in line 4, after the word "that," to insert "two thousand," so as to make the resolution read:

Resolved, That the task force reports of the Commission on Judicial and Congressional Salaries, created pursuant to Public Law 220, 83d Congress, be printed together as a Senate document with illustrations, and that 2,000 additional copies shall be printed for the use of the Senate Committee on the Judiciary.

The amendment was agreed to.

The resolution, as amended, was agreed to.

Mr. MORSE. Mr. President, this resolution has reference to the printing of reports.

BILL PASSED OVER

The bill (S. 49) to enable the people of Hawaii to form a constitution and State government and to be admitted into the Union on an equal footing with the original States was announced as next in order.

Mr. GORE. Over.

The PRESIDING OFFICER. The bill will be passed over.

INCREASE IN BORROWING POWER OF THE COMMODITY CREDIT COR- PORATION—BILL PASSED OVER

The bill (S. 2714) to increase the borrowing power of Commodity Credit Corporation was announced as next in order.

Mr. GORE. Over.

Mr. AIKEN. Mr. President, will the Senator from Tennessee withhold his objection?

Mr. GORE. Yes.

Mr. AIKEN. Mr. President, it is my understanding that the conference report on Senate Joint Resolution 358 relating to a restoration of the impaired capital of the Commodity Credit Corporation, as approved by the Senate, will provide the Corporation sufficient money to operate until the 8th or 10th of March. This bill will have to be taken up and acted upon by that time, or else the Corporation will be out of money again. The Corporation is anticipating approximately \$75 million of receipts between now and that time, and loans are being made at the rate of about \$100 million a week. I am only making this statement now; I am not asking to have the bill taken up at this time.

Mr. GORE. Mr. President, will the Senator from Vermont yield?

Mr. AIKEN. I yield.

Mr. GORE. I wish the Senator to know that I personally favor the passage of the bill. I hope no one will misunderstand my objection. I am objecting by request of a Senator who was called away on official business and wanted to be present when the bill is considered.

Mr. AIKEN. I understand the reason why the Senator is asking that the bill go over. It is too important to be placed on the Unanimous-Consent Calendar, anyway. I only wanted to say that the Corporation will be out of money again in approximately 5 weeks.

Mr. HOLLAND. Mr. President, will the Senator from Vermont yield?

Mr. AIKEN. I yield.

Mr. HOLLAND. I should like to take this occasion to say that I hope the bill will not be passed on a call of the calendar of bills to which there are no objections. I hope it will be scheduled for consideration so that it can be discussed, at least, briefly. The sum of a billion and three quarters dollars is involved, and therefore, it is not a minor matter. I sincerely hope the majority leader will see fit to set this bill for consideration at an early date before a crisis arises in the corporation, at such an hour and at such a time that the issue may be fully discussed on the floor of the Senate. I have no intention or expectation of dis-

cussing the bill at length, and I am sure other Senators have not, because, as I recall, the committee unanimously reported it. It is a bill of such magnitude and relates so intimately to the whole question of the price-support structure that I think, by all means, it should have full discussion and be considered not upon the call of the calendar of bills to which there is no objection, but as a measure worthy of debate and explanation.

Mr. KNOWLAND. Mr. President, reserving the right to object—and I shall not object—I wish to answer the suggestion propounded by the distinguished Senator from Florida.

This is a bill of the type which, because of the amount involved, I think should be taken up on motion rather than on the call of the Unanimous-Consent Calendar. I shall plan to schedule it at an early date. I hope that it may be taken up this week.

Mr. HOLLAND. I thank the distinguished majority leader.

Mr. GORE. Mr. President, reserving the right to object, the colloquy between the Senators prompts me to say that this is the second year I have served on the Calendar Committee. It is a disagreeable task in many respects. Members who are interested in the passage of proposed legislation often do not appreciate an objection being made, and yet we have heard two Senators say that measures of general importance should not be considered on the call of the Consent Calendar. The more I serve in this capacity the more convinced I am that they are correct, and that the calendar procedure should be reserved for bills of particular and specific subject matter not general in nature.

I object.

The PRESIDING OFFICER. On objection, the bill will be passed over.

JUAN EZCURRA AND FRANCISCO EZCURRA

The bill (S. 54) for the relief of Juan Ezcurra and Francisco Ezcurra was announced as next in order.

Mr. GORE. Over.

The PRESIDING OFFICER. The bill will be passed over.

Mr. GORE. Mr. President, because of the colloquy which just now ensued, I erroneously objected to Senate bill 54. I ask unanimous consent to withdraw my objection and that the bill be considered.

The PRESIDING OFFICER. Is there objection?

There being no objection, the bill (S. 54) for the relief of Juan Ezcurra and Francisco Ezcurra was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That, for the purposes of the Immigration and Nationality Act, Juan Ezcurra and Francisco Ezcurra shall be held and considered to have been lawfully admitted to the United States for permanent residence as of the date of the enactment of this act upon payment of the required visa fees. Upon the granting of permanent residence to such aliens as provided for in this act, the Secretary of State shall instruct the proper quota-control officer to deduct two numbers from the appropriate quota for the first year that such quota is available.

FAWN S. LOUIE

The bill (S. 60) for the relief of Fawn S. Louie was announced as next in order.

Mr. MORSE. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. MORSE. Was Calendar 888, H. R. 2326, passed?

The PRESIDING OFFICER. Calendar 888, H. R. 2326, was substituted for Calendar 857, S. 1647, and was passed, whereupon the Senate bill was indefinitely postponed.

Is there objection to the present consideration of Calendar 892, S. 60?

There being no objection, the bill (S. 60) for the relief of Fawn S. Louie, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That, for the purposes of the Immigration and Nationality Act, Fawn S. Louie shall be held and considered to have been lawfully admitted to the United States for permanent residence as of the date of the enactment of this act upon payment of the required visa fee.

BILL PASSED OVER

The bill (H. R. 685) for the relief of Walter Carl Sander was announced as next in order.

Mr. GORE. Over.

The PRESIDING OFFICER. The bill will be passed over.

KATINA PANAGIOTI FIFFLIS AND THEODORE PANAGIOTOU FIFFLIS

The bill (H. R. 1129) for the relief of Katina Panagioti Fiffilis and Theodore Panagiotou Fiffilis was considered, ordered to a third reading, read the third time, and passed.

MRS. HERMINE LAMB

The bill (H. R. 1496) for the relief of Mrs. Hermine Lamb was considered, ordered to a third reading, read the third time, and passed.

MRS. CLEMTINE DE RYCK

The bill (H. R. 1516) for the relief of Mrs. Clementine De Ryck was considered, ordered to a third reading, read the third time, and passed.

SETSUKO MOTOHARA KIBLER, WIDOW OF ROBERT EUGENE KIBLER

The bill (H. R. 1674) for the relief of Setsuko Motohara Kibler, widow of Robert Eugene Kibler, was considered, ordered to a third reading, read the third time, and passed.

CLARENCE R. SEILER AND OTHER EMPLOYEES OF THE ALASKAN RAILROAD

The bill (H. R. 2021) for the relief of Clarence R. Seiler and other employees of the Alaskan Railroad was considered, ordered to a third reading, read the third time, and passed.

SANTOS SANABRIA ALVAREZ

The bill (H. R. 2618) for the relief of Santos Sanabria Alvarez was considered, ordered to a third reading, read the third time, and passed.

LEE SIG CHEU

The bill (H. R. 2633) for the relief of Lee Sig Cheu was considered, ordered to a third reading, read the third time, and passed.

WILLIAM E. AITCHESON

The bill (H. R. 2813) for the relief of William E. Aitcheson was considered, ordered to a third reading, read the third time, and passed.

TAMIKO NAGAE

The bill (H. R. 3027) for the relief of Tamiko Nagae was considered, ordered to a third reading, read the third time, and passed.

MRS. URSULA EICHNER CLAWGES

The bill (H. R. 3228) for the relief of Mrs. Ursula Eichner Clawges was considered, ordered to a third reading, read the third time, and passed.

JOHN JAMES T. BELL

The bill (H. R. 3280) for the relief of John James T. Bell was considered, ordered to a third reading, read the third time, and passed.

EIKO TANAKA

The bill (H. R. 3390) for the relief of Eiko Tanaka was considered, ordered to a third reading, read the third time, and passed.

RUFIN MANIKOWSKI

The bill (H. R. 3619) for the relief of Rufin Manikowski was considered, ordered to a third reading, read the third time, and passed.

MRS. HELEN BONANNO (NEE KOUBEK)

The bill (H. R. 3728) for the relief of Mrs. Helen Bonanno (nee Koubek) was considered, ordered to a third reading, read the third time, and passed.

MRS. ANNA HOLDER

The bill (H. R. 3733) for the relief of Mrs. Anna Holder was announced as next in order.

Mr. KNOWLAND. Mr. President, reserving the right to object, though I have no particular objection except as to the amount provided in the bill, may we have an explanation of the bill? The amount is a little larger than amounts provided in other cases.

Mr. LANGER. Mr. President, this bill proposes to pay to Mrs. Anna Holder, of Brooklyn, N. Y., the sum of \$10,000, in full settlement of her claim against the United States for the payment of the

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(For Department Staff Only)

Issued March 2, 1954
For actions of March 1, 1954
83rd-2nd, No. 38

CONTENTS

Acreage allotments.....14,23	FHA.....11	Reclamation.....17
Agricultural Adjustment Act.....20	Foreign trade.....7	Road authorizations.....2
Appropriations.....11	Forestry.....3	St. Lawrence Waterway...24
Banking and Currency.....8	Grains.....21	Soil conservation.....14,23
C.C.C.....2	Insect control.....5	Storage facilities.....21
dairy industry.....10,18,21	Loans, farm.....11	Surplus commodities 13,16,23
Economic report.....4	Organization, exec.....9	Tobacco.....15
Electrification.....12,24	Personnel.....6,19	Transportation.....16
Farm labor.....1	Postal rates.....22	TV.....24
Farm program.....23	Prices, supports 2,4,10,18,20,21,23	

HIGHLIGHTS: House debated Mexican farm labor bill. House committee reported bill to increase CCC borrowing power. House committee voted to report road authorizations bill. House received report of Joint Committee on Economic Report, recommending postponement of flexible price supports. Senate passed bill to continue Commission on Intergovernmental Relations. Ready for President. Sen. Wiley spoke favoring 90% dairy price supports and opposing imports of surplus commodities. Sen. Hill introduced and discussed bill to use surplus commodities for unemployed. Sen. Humphrey introduced and discussed bill to require ACP payments for diverted acreage. Reps. Andersen and Horan introduced, and Rep. Andersen discussed, bills to authorize CCC to pay transportation of donated surplus commodities. Sen. Clements introduced and discussed bill to increase penalty on excess tobacco.

HOUSE

1. FARM LABOR. Began debate on H. J. Res. 355, to continue the Mexican farm labor program in the absence of an agreement with Mexico (pp. 2302-13).
2. COMMODITY CREDIT CORPORATION. The Banking and Currency Committee reported with amendment H. R. 7339, to increase the borrowing power of CCC from \$6,750,000,000 to \$8,500,000,000. The amendment strikes out the effective date of July 1, 1954, and makes the bill effective upon enactment. S. 2714, a companion bill, has been reported in the Senate. (H. Rept. 1258.) (pp. 2313, D209.)
3. ROAD AUTHORIZATIONS. The Public Works Committee voted to report (but did not actually report) H. R. 8127, which includes appropriation authorizations for forest highways and forest roads and trails (p. D210). This is a revision of H. R. 7818.
4. ECONOMIC REPORT. Received the report of the Joint Committee on the Economic Report, which was submitted by the Committee on Feb. 26 after adjournment of the House (H. Rept. 1256) (p. 2313). The committee report recommends postponement of flexible price supports.

5. INSECT CONTROL. Rep. Willis recommended "an adequate sweetpotato weevil-control program and a continuation of the pink-bollworm control project" (pp. 2294-5).
6. PERSONNEL. Rep. Crosser spoke in favor of a Federal-employees pay raise (p. 2295).
7. FOREIGN TRADE. Rep. Tollefson requested tariff increases for nuts, flowers, and other commodities (p. 2293).
8. BANKING AND CURRENCY. Both Houses received from the President the report of the National Advisory Council on International Monetary and Financial Problems; to House Foreign Affairs Committee and Senate Banking and Currency Committee (H. Doc. 338) (pp. 2259, 2291).

SENATE

9. INTERGOVERNMENTAL RELATIONS. Passed without amendment H. R. 8069, to continue the Commission on Intergovernmental Relations from Mar. 1, 1954, to Mar. 1, 1955 (p. 2276). This bill will now be sent to the President.
10. PRICE SUPPORTS. Sen. Wiley spoke favoring 90%-of-parity price supports for dairy products and opposing imports of "any commodity...of which we have a surplus in this country" (pp. 2272-5).
Sen. Langer inserted a constituent's letter criticizing the administration's price-support program, etc. (p. 2261).
11. FARM LOANS. Sen. Langer inserted a Nonpartisan League resolution favoring additional FHA appropriations in N. Dak. and requesting that the State be declared a disaster area (p. 2260).
12. ELECTRIFICATION. Sen. Langer inserted an International Brotherhood of Electrical Workers' local telegram stating that the Interior Department's proposed power policy "means almost certain destruction and bankruptcy to REA cooperatives" (p. 2261).

BILLS INTRODUCED

13. SURPLUS COMMODITIES. S. 3044, by Sen. Hill (for himself and others), to provide adequate diets for the unemployed and their families in distress areas of unemployment; to Agriculture and Forestry Committee (p. 2262). Remarks of author (p. 2263).
14. ACREAGE ALLOTMENTS. S. 3049, by Sen. Humphrey, to require ACP payments for acreage diverted from crop production by acreage allotments; to Agriculture and Forestry Committee (p. 2262). Remarks of author (pp. 2267-8).
15. TOBACCO MARKETING. S. 3050, by Sen. Clements (for himself and others), to increase the penalty rate on tobacco marketed in excess of acreage allotments from 40 percent of the previous year's average price to 50 percent of the previous year's average price; to Agriculture and Forestry Committee (p. 2262). Remarks of author (p. 2268).
16. SURPLUS COMMODITIES. H. R. 8117, by Rep. Andersen, and H. R. 8118, by Rep. Horan, to authorize CCC to pay transportation costs in connection with donation of surplus commodities; to Agriculture Committee (p. 2313). Remarks of author (pp. 2291-2).
17. RECLAMATION. H. R. 8121, by Rep. Engle, to amend the Reclamation Project Act of

INCREASING THE BORROWING AUTHORITY OF THE COMMODITY CREDIT CORPORATION

MARCH 1, 1954.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. WOLCOTT, from the Committee on Banking and Currency, submitted the following

REPORT

[To accompany H. R. 7339]

The Committee on Banking and Currency, to whom was referred the bill (H. R. 7339) to increase the borrowing power of Commodity Credit Corporation, having considered the same, report favorably thereon with an amendment and recommend that the bill, as amended, do pass.

The amendment is as follows:

Strike out section 3 of the bill.

PURPOSE OF THE BILL

The purpose of the bill is to increase the borrowing authority of the Commodity Credit Corporation from \$6,750 million to \$8,500 million. The committee amendment which would strike out section 3 of the bill would make the increased borrowing authority available to the Corporation immediately upon enactment rather than July 1, 1954. The change making the increased borrowing authority available upon enactment of the bill was based upon the testimony of the Secretary of Agriculture that due to the accelerated rate that commodities have been going under loan recently, there is insufficient unused borrowing authority to provide a margin of safety for operations of the Corporation between now and July 1, 1954.

GENERAL STATEMENT

The Commodity Credit Corporation engages in buying, selling, lending, and other activities with respect to agricultural commodities, their products, foods, feeds, and fibers, for the purpose of stabilizing, supporting, and protecting farm income and prices; assisting in the

maintenance of balanced and adequate supplies of such commodities; and facilitating their orderly distribution. The Corporation also makes available materials and facilities required in connection with the production and marketing of such commodities.

The Corporation is managed by a Board of Directors, subject to the general supervision and direction of the Secretary of Agriculture, who is, *ex officio*, a director and the Chairman of the Board. Besides the Secretary, the Board consists of six members appointed by the President and confirmed by the Senate. In addition, the Corporation has a bipartisan advisory board of five members appointed by the President to survey the general policies of the Corporation and advise the Secretary with respect thereto.

The principal activity of the Corporation consists of price-support operations. Price support is made available through loans, purchase agreements, and purchases. The producer's commodities serve as collateral for price-support loans. If the producer does not repay his loan, he is not held liable for any deficiency arising from the sale of the collateral unless the loan was obtained through fraudulent representations. Purchase agreements generally are available during the same period that loans are available. By signing a purchase agreement, a producer receives an option to sell to the Corporation any quantity of the commodity which he may elect within the maximum specified in the agreement. When it is not feasible to support prices through loans or purchase agreements, the Corporation purchases commodities during the regular marketing season either from producers directly or through usual trade channels.

Under the Agricultural Act of 1949, as amended, price support is mandatory for the six basic commodities—corn, cotton, wheat, rice, peanuts, and tobacco—and designated nonbasic commodities, namely, wool, mohair, tung nuts, honey, milk, butterfat, and the products of milk and butterfat. Price support for other nonbasic agricultural commodities is discretionary with the Secretary of Agriculture.

In all its price-support operations the Corporation utilizes normal trade facilities to the maximum extent practicable. In its lending activities the Corporation uses local banks, cooperatives, and other private lending agencies. Commercial storage facilities are used to a great extent in the storage of loan collateral and in the storage of stocks acquired by the Corporation.

As of the close of December 1953 price-support loans amounted to \$3 billion of which approximately one-fourth were held by the Commodity Credit Corporation with the balance being held by lending agencies. The investment of the Corporation in commodity inventories as of that date amounted to \$2.7 billion. Of this \$5.7 billion invested in price-support loans and inventories, \$4.7 billion was in 4 commodities, namely, wheat, \$2.1 billion; cotton, \$1.2 billion; corn, \$1 billion; and dairy products, \$378 million.

Another important activity of the Corporation consists of its storage-facilities program. Under this program the Corporation purchases and maintains granaries and equipment for care and storage of grain owned or controlled by the Corporation, makes loans for the construction or expansion of farm storage facilities and undertakes other operations necessary to provide storage adequate to carry out the Corporation's programs. At the end of December last year the Corporation owned storage structures and related equipment carried

at a net book value of \$115.9 million. In addition at that time the Corporation was under obligation for guaranty of storage facilities and equipment loans held by lending agencies in an amount of \$5 million and had advanced loans for such purposes in the amount of \$24.2 million.

The principal activity of the Corporation in connection with its commodity export program is concerned with operations under the International Wheat Agreement Act of 1949. This act authorizes the President, acting through the Corporation, to make available such quantities of wheat and wheat flour to importing countries, and at such prices, as may be necessary to exercise the rights, obtain the benefits, and fulfill the obligations of the United States under the International Wheat Agreement. In turn, the Corporation is authorized to use its general borrowing authority to pay current obligations and to be repaid therefor from appropriations made specifically to cover the costs of the International Wheat Agreement. Pending such reimbursement, the Corporation is authorized to establish the net costs of operations under the agreement as a receivable. At the end of December 1953 approximately \$150 million was due the Corporation on account of such activities.

From time to time the Congress has authorized the Corporation to engage in special activities. Recent operations of this character include the program for eradication of foot-and-mouth disease in Mexico, tobacco grading and cotton classing services, supply of Government-owned food stocks to famine areas such as the transfer of wheat to Pakistan authorized by Public Law 77, 83d Congress, and emergency assistance in furnishing feed and seed to farmers, ranchers, and stockmen in major disaster areas. In this latter connection on November 16, 1953, pursuant to Public Law 875, the President directed the Corporation to furnish supplies of feed acquired by it in carrying out price support operations for use in the drought-emergency program, such supplies to be furnished without reimbursement from funds then appropriated. The President also stated that Congress would be requested to take specific action for the purpose of reimbursing the Corporation for losses representing the difference between the value of feed furnished under the directive and sales price received by the Corporation. Public Law 175, 83d Congress, appropriated \$40 million which is being used for handling, processing, shipping, and other expenses relating to the delivery of the emergency feed supplies to disaster areas.

The Corporation has an authorized capital stock of \$100 million, all held by the United States, and authority to borrow up to \$6.75 billion. In 1953 the annual interest rate paid on capital stock was 2 percent, and the rate on borrowings from the Treasury was 2 percent to March 1, 1953, and 2½ percent to June 30, 1953. Since June 30, 1953, the annual interest rate on capital stock has been 2½ percent. At that time the interest rate on borrowings from the Treasury was also increased to 2½ percent and remained at that rate through September 1953. In October 1953 the rate on borrowings from the Treasury was reduced to 2¾ percent, to 2½ percent in November, to 2 percent for December 1953 and January 1954, and to 1¾ percent effective February 1, 1954.

The Corporation's charter requires—

The Corporation shall at all times reserve a sufficient amount of its authorized borrowing power which, together with other funds available to the Corporation,

will enable it to purchase, in accordance with its contracts with lending agencies, notes, or other obligations evidencing loans made by such agencies under the Corporation's programs.

As of December 31, 1953, the actual amount of borrowing authority in use was as follows:

	<i>Million</i>
Borrowings from U. S. Treasury-----	\$3, 948
Loans held by lending agencies:	
Individual notes-----	1, 039
Certificates of interest-----	1, 219
Total-----	2, 258
Grand total-----	6, 206

Based on estimates of obligations against the Corporation's borrowing authority subsequent to December 31, 1953 (and after giving effect to the recent note collection covering capital impairment), it appears that approximately \$500 million of borrowing authority remains of the presently authorized \$6.75 billion borrowing authority.

The bill under consideration would increase the borrowing authority of the Corporation from \$6.75 billion to \$8.5 billion. The Department based its estimate of the need for \$8.5 billion on requirements to finance its investment in 1953 and prior-year crops and to support the price of 1954 crops. The estimated need for supporting the price of 1954 crops was based on an assumption that yields of crops under acreage allotments and marketing quotas will be somewhat higher than average yields and that there will be some increased production of crops under price support as a result of acres diverted from allotment crops. The estimate also reflected the legislation which increased the cotton-acreage allotment to over 21 million acres. At the same time the Department pointed out that if it were assumed that there would be full planting of acreage allotments, acreages of non-allotted crops as high as records in recent years, yields as high as recent records for each crop, and a smaller movement into domestic or export channels of stocks in Corporation inventories or under Corporation loan, then the requirements for 1954 crop operations would be considerably in excess of current estimates. It was emphasized by the Department that the estimate was to cover 1954 crop operations under the assumptions indicated and was not intended to cover the 1955 crop operations.

There have been many examples in the recent history of the Commodity Credit Corporation of rapid and large changes in the demands placed on its borrowing authority. Statutory obligations against the borrowing authority increased by over \$1.5 billion in each of the calendar years 1948 and 1949, decreased by approximately \$1.8 billion between March 1950 and September 1951, and increased \$4.4 billion from July 1952 to December 1953. There was an increase of \$2.5 billion during the 5 months ended December 31, 1953.

For major commodities such as corn, cotton, rice, wheat, tobacco and peanuts the Corporation must stand ready on an open-offer basis to make loans or purchases at a fixed level of support prices on any quantity of the commodities which may be produced during the crop year. Once a crop is produced, the Corporation has no control over the quantity of any of these commodities which may be offered to it for price support. The proportion of the total crop of any commodity

in a particular year which is placed under price support is governed by many varied and unpredictable factors, such as the size of crops, export trends, general business conditions and other.

Basically the control over the cost of carrying out price-support operations lies in the legislation approved by the Congress which prescribes the conditions under which the prices of individual commodities shall be supported, and the levels of such price supports. Since in prescribing the terms and conditions for price support on individual commodities the Congress has clearly indicated the policy it desires the Corporation to follow, financial resources must be provided to enable the Corporation to perform the required operations.

The bill was unanimously reported by your committee.

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as introduced, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

ACT OF MARCH 8, 1938, AS AMENDED

* * * * *

SEC. 4. With the approval of the Secretary of the Treasury, the Commodity Credit Corporation is authorized to issue and have outstanding at any one time, bonds, notes, debentures, and other similar obligations in an aggregate amount not exceeding ~~【\$6,750,000,000】~~ *\$8,500,000,000*. Such obligations shall be in such forms and denominations, shall have such maturities, shall bear such rates of interest, shall be subject to such terms and conditions, and shall be issued in such manner and sold at such prices as may be prescribed by the Commodity Credit Corporation, with the approval of the Secretary of the Treasury. Such obligations shall be fully and unconditionally guaranteed both as to interest and principal by the United States, and such guaranty shall be expressed on the face thereof, and such obligations shall be lawful investments and may be accepted as security for all fiduciary, trust, and public funds the investment or deposit of which shall be under the authority or control of the United States or any officer or officers thereof. In any event that the Commodity Credit Corporation shall be unable to pay upon demand, when due, the principal of, or interest on, such obligations, the Secretary of the Treasury shall pay to the holder the amount thereof which is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, and thereupon to the extent of the amount so paid the Secretary of the Treasury shall succeed to all the rights of the holders of such obligations. The Secretary of the Treasury, in his discretion, is authorized to purchase any obligations of the Commodity Credit Corporation issued hereunder, and for such purpose the Secretary of the Treasury is authorized to use as a public-debt transaction the proceeds from the sale of any securities hereafter issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under such Act, as amended, are extended to include any purchases of the Commodity Credit Corporation's obligations hereunder. The Secretary of the Treasury may at any time sell any of the obligations of the Commodity Credit Corporation acquired by him under this section. All redemptions, purchases, and sales by the Secretary of the Treasury of the obligations of the Commodity Credit Corporation shall be treated as public-debt transactions of the United States. No such obligations shall be issued in excess of the assets of the Commodity Credit Corporation, including the assets to be obtained from the proceeds of such obligations, but a failure to comply with this provision shall not invalidate the obligations or the guaranty of the same: *Provided*, That this sentence shall not limit the authority of the Corporation to issue obligations for the purpose of carrying out its annual budget programs submitted to and approved by the Congress pursuant to the

Government Corporation Control Act (31 U. S. C., 1946 edition, sec. 841). The Commodity Credit Corporation shall have power to purchase such obligations in the open market at any time and at any price.

* * * * *

COMMODITY CREDIT CORPORATION CHARTER ACT

* * * * *

SEC. 4. GENERAL POWERS.—The Corporation

* * * * *

(i) May borrow money subject to any provision of law applicable to the Corporation: *Provided*, That the total of all money borrowed by the Corporation, other than trust deposits and advances received on sales, shall not at any time exceed in the aggregate **[\$6,750,000,000]** \$8,500,000,000. The Corporation shall at all times reserve a sufficient amount of its authorized borrowing power which, together with other funds available to the Corporation, will enable it to purchase, in accordance with its contracts with lending agencies, notes, or other obligations evidencing loans made by such agencies under the Corporation's programs.

* * * * *

○

83^D CONGRESS
2^D SESSION

H. R. 7339

[Report No. 1258]

IN THE HOUSE OF REPRESENTATIVES

JANUARY 18, 1954

Mr. WOLCOTT introduced the following bill; which was referred to the Committee on Banking and Currency

MARCH 1, 1954

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Omit the part struck through]

A BILL

To increase the borrowing power of Commodity Credit Corporation.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That section 4 of the Act approved March 8, 1938 (52 Stat.
4 108), as amended, is amended by striking out “\$6,750,000,-
5 000” and inserting in lieu thereof “\$8,500,000,000”.

6 SEC. 2. Section 4 (i) of the Commodity Credit Corpo-
7 ration Charter Act (62 Stat. 1070), as amended, is amended
8 by striking out “\$6,750,000,000” and inserting in lieu
9 thereof “\$8,500,000,000”.

10 ~~SEC. 3. This Act shall be effective July 1, 1954.~~

83^d CONGRESS
2^d Session

H. R. 7339

[Report No. 1258]

A BILL

To increase the borrowing power of Commodity
Credit Corporation.

By Mr. WOLCOTT

JANUARY 18, 1954

Referred to the Committee on Banking and Currency

MARCH 1, 1954

Reported with an amendment, committed to the Com-
mittee of the Whole House on the State of the
Union, and ordered to be printed

Consent Calendar: The following bills were passed on the call of the Consent Calendar:

Cleared for President:

Land conveyance: S. 1160, conveyance of certain land to the city of Tucson, Ariz.

Sent to the Senate without amendment:

Hawaii: H. R. 2848, to place the wharves and landings constructed or controlled by the Republic of Hawaii completely under the Territorial government.

Aeronautics: H. R. 5627, increasing limitation on the total sums expended annually for graduate study for professional personnel of the National Advisory Committee for Aeronautics.

Aeronautics: H. R. 7541, to promote the national defense by including a representative of the Department of Defense as a member of the NACA.

Sent to the Senate, amended:

Thailand citizens: S. J. Res. 34, to permit two citizens of the Kingdom of Thailand to receive instruction at the U. S. Military Academy.

Land conveyance: H. R. 232, to provide for the conveyance to the State of Indiana of certain surplus real property situated in Marion County, Ind.

Retired-pay checkage: H. R. 1433, to prevent retroactive checkage of retired pay in cases of certain enlisted men.

Alaska: H. R. 1570, to permit the Territory of Alaska to lease for 55 years (now 10 years) public lands reserved for educational purposes.

Alaska: H. R. 2683, to extend authority to the Secretary of the Interior to provide public works and enter into agreements with applicants under the Alaska Public Works Act of 1950.

Indians: H. R. 3413, to grant oil and gas in lands on the Fort Peck Indian Reservation, Mont., to individual Indians in certain cases.

Land conveyance: H. R. 7402, to provide for the conveyance of certain real property to the city of St. Joseph, Mich.

Pages 2298-2301

Mexican Agricultural Workers: Concluded all general debate on H. Res. 450, the rule providing 2 hours of debate on H. J. Res. 355, relating to the supplying of agricultural workers from the Republic of Mexico, but adjourned prior to completion of vote on its adoption.

Pages 2301-2313

Program for Tuesday: Adjourned at 2:43 p. m. until Tuesday, March 2, at 12 o'clock noon, when the House will call the Private Calendar and continue the consideration of H. J. Res. 355, relating to the supplying of agricultural workers from the Republic of Mexico.

Committee Meetings

USS "CONSTITUTION" AND "CONSTELLATION"

Committee on Armed Services: The Johnson subcommittee began hearings on H. R. 2316, and related measures, which would restore and maintain the USS *Con-*

stitution and dispose of the USS *Constellation*, *Hartford*, *Olympia*, and *Oregon*. Rear Adm. B. E. Manseau, Assistant Chief of the Bureau of Ships, endorsed enactment of the proposal, while opposition to the disposition of some of the ships was presented by Senators Beall and Butler, of Maryland; and Representatives Friedel, of Maryland; Boykin, of Alabama; and Morano, of Connecticut. Various interested citizen witnesses also opposed H. R. 2316. Hearings will be continued tomorrow morning.

ORDNANCE FACILITY AWARD, CANAL ZONE

Committee on Armed Services: The Subcommittee on Defense completed a hearing today regarding the award of a construction contract for an ordnance facility in Corozal, C. Z. Meeting with the subcommittee were Maj. Gen. Samuel D. Sturgis, Chief of Engineers (Army); and Brig. Gen. David H. Tulley, head of military construction for the Army Engineers.

COMMODITY CREDIT CORPORATION

Committee on Banking and Currency: Voted to report H. R. 7339, to increase borrowing power of the Commodity Credit Corp. from \$6,750,000,000 to \$8,500,000,000. The bill was amended to take effect upon its enactment into law, as against the original effective date of July 1, 1954.

D. C. BRIDGES

Committee on the District of Columbia: The Kearns Subcommittee on Streets and Traffic began hearings on two proposals regarding bridge construction. The bills under consideration are H. R. 1980, to construct a bridge over the Potomac River in the vicinity of Jones Point, Va.; and H. R. 6876, to construct a bridge over the Potomac River and Theodore Roosevelt Island in the vicinity of E Street. Testimony in support of the latter measure was furnished by Brig. Gen. Louis W. Prentiss, D. C.'s Engineer Commissioner; George E. Keneipp, D. C.'s Director of Vehicles and Traffic; and J. N. Robertson, D. C.'s Director of Highways, who was accompanied by the following members of that department—S. R. Harrison, Deputy Director; G. I. Sawyer, D. S. Brinkley, and G. E. Marple. Hearings will be continued tomorrow morning when a Virginia State highway official is scheduled to testify.

UNITED NATIONS

Committee on Foreign Affairs: The Subcommittee on International Organizations and Movements today heard testimony on the United Nations and specialized agencies from the following witnesses—Mrs. Fay Edgar, Daughters of the American Revolution; Mrs. Austin P. Evans, American Association of University Women; Mrs. William Leetch, American Coalition; Col. John H. Coffman, Defenders of the American Constitution, Inc., and Mrs. Zaio Woodford Schroeder, General Federation of Women's Clubs.

PUBLIC LANDS

Committee on Interior and Insular Affairs: The D'Ewart subcommittee approved the following bills for reporting to the full committee—H. R. 7110, providing that title to certain school lands shall vest in States under act of 1927 notwithstanding any Federal leases which may be outstanding on such lands at the time they were surveyed (amended); and H. R. 4690, to provide for erection of appropriate markers in national cemeteries in memory of Armed Forces members missing in action. H. R. 518 and 2529, similar bills to H. R. 4690, were ordered tabled. Representative Dawson of Utah, author of H. R. 7110, spoke on behalf of that bill, and James A. Lanigan, Assistant Chief Counsel, Bureau of Land Management, answered questions and submitted departmental suggestions for amendments. Representative LeCompte, author of H. R. 4690, testified in favor of that bill. Adjourned subject to call of the Chair.

HOSPITAL CONSTRUCTION

Committee on Interstate and Foreign Commerce: Ordered reported to the House, a clean bill, which will be introduced in lieu of the amended version of H. R. 7341, to amend the hospital construction and survey provisions of the Public Health Service Act to provide matching grants by the Federal Government to State programs for the construction of certain facilities.

VISAS—IMMIGRATION

Committee on the Judiciary: Subcommittee No. 1 approved the following bills for reporting to the full committee—H. R. 7475 (amended), to amend the Refugee Relief Act of 1953, regarding unused allotments of certain visas; H. R. 8092, to facilitate the entry of Philippine traders; and H. J. Res. 455, a private bill. Also ordered adversely reported to the full committee H. R. 4514, a private immigration bill.

BANKRUPTCY

Committee on the Judiciary: Subcommittee No. 2 heard the following witnesses on H. R. 5796, a bill to amend the Bankruptcy Act to make tax liens of States and their subdivisions valid against trustees in bankruptcy—Representative Oakman, author of the bill; Alfred Stolinski, assistant corporation counsel, Detroit, Mich.; Arthur Iverson, deputy attorney general for Michigan; and George H. Deming, director of technical assistance, American Municipal Association.

MEDICAL EDUCATION

Committee on the Judiciary: Subcommittee No. 2 also held a hearing on H. R. 7914 and S. 1748, bills to incorporate the National Fund for Medical Education, and heard Representative Poff, author of H. R. 7914; Chase Mellen, Jr., executive vice president, National Fund for Medical Education; Dr. Louis H. Bauer, president, American Medical Education Foundation, and former president, American Medical Association; and Dr. Stan-

ley E. Dorst, president, Association of American Medical Colleges, and dean of the University of Cincinnati College of Medicine.

MILITARY SEA TRANSPORTATION SERVICE

Committee on Merchant Marine and Fisheries: A special subcommittee resumed its executive study of operations of the Military Sea Transportation Service. Recessed until Wednesday afternoon.

POSTAL EMPLOYEE SALARIES

Committee on Post Office and Civil Service: The following Members of Congress testified today in connection with the recent proposal by the Postmaster General to increase salaries of about 400,000 postal workers through reclassification—Representatives Addonizio, Albert, Angell, Aspinall, Auchincloss, Battle, Belcher, Bennett of Michigan, Bentley, Boykin, Busbey, Byrd, Campbell, Carnahan, Crosser, Crumpacker, Dingell, Donohue, Edmondson, Ellsworth, Engle, Fino, Forand, Fulton, Gordon, Granahan, Heller, Holtzman, Howell, Javits, King of Pennsylvania, Lane, Lovre, Machrowicz, Mack of Washington, Magnuson, Miller of California, Miller of New York, O'Brien of Michigan, Patman, Perkins, Poff, Rooney, Sadlak, Shafer, Shelley, Short, Sullivan, Thompson of Louisiana, Utt, Van Zandt, Wilson of California, Yorty, and Zablocki.

Statements in lieu of testimony were submitted for the record by Representatives Adair, Blatnik, Bolling, Byrne of Pennsylvania, Curtis of Massachusetts, Delaney, Doyle, Eberharter, Fine, Fogarty, Frelinghuysen, Friedel, Hagen of California, Hinshaw, Hoffman of Illinois, Horan, Kelley of Pennsylvania, Keogh, Kluczynski, McCormack, Oakman, O'Brien of Illinois, Pillion, Price, Rhodes of Arizona, Scudder, Sheehan, Small, Taylor, and Young.

Hearing will be continued tomorrow morning when the views of employee-organization representatives will be received.

ROADS AND HIGHWAYS

Committee on Public Works: Ordered reported to the House H. R. 8127, authorizing appropriations to continue construction of roads and highways. This bill was introduced today by Representative McGregor, and supersedes the amended version of H. R. 7818, the original bill on this subject.

ST. LAWRENCE SEAWAY

Committee on Rules: Announced that consideration of a rule has been scheduled for Wednesday (10:30 a. m.), on S. 2150, St. Lawrence seaway development project.

Joint Committee Meetings

SEMINOLE INDIANS OF FLORIDA

Joint meeting: Indian Affairs Subcommittees of Senate and House Committees on Interior and Insular Affairs

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

Issued March 3, 1954

For actions of March 2, 1954

83rd-2nd, No. 39

OFFICE OF BUDGET AND FINANCE
(For Department Staff Only)

CONTENTS

Acresage allotments.....30	Drought relief.....7	Soil conservation.....2,5
Agricultural Foreign	Electrification.....13,38	Statehood.....17,35
Service.....26	Farm, labor.....1,15,36	Sugar.....25
Appropriations.....9	loans.....20	Surplus commodities.....24
Bankruptcy.....18	Foreign affairs.....19	Trade, foreign.....34
C.C.C.....3,14	Marketing.....23	Transportation.....8,22,33
Claims.....9	Organization, exec.....9	Treaties.....12
Cotton.....30	Personnel.....21,31	TVA.....37
Dairy industry..4,10,27,29	Prices, support..4,18,27,29	Vegetables.....30
Disbursements.....11	St. Lawrence Seaway..8,28,32	Wool imports.....6

HIGHLIGHTS: House passed Mexican farm labor bill. House Rules Committee cleared watershed bill and CCC-borrowing bill. House subcommittee voted for limitation on reduction in dairy price supports. Rep. Curtis defended USDA regarding drought relief in No. Rep. Metcalf recommended wool import control. Senate passed 2nd supplemental appropriation bill; sent to conference. Sen. Aiken introduced and discussed bill on price supports, etc. Rep. Whitten introduced bill to create Agricultural Foreign Service.

HOUSE

1. FARM LABOR. Passed without amendment H. J. Res. 355, to continue the Mexican farm labor program in the absence of an agreement with Mexico. Recommitted, 156-250, a motion by Rep. Shelley to recommit the measure. (pp. 2355,2357-82).
2. SOIL CONSERVATION. The Rules Committee reported a resolution for consideration of H. R. 6788, to authorize the Secretary of Agriculture to cooperate with States and local agencies in the planning and carrying out of works of improvement for soil conservation (p. 2354). It is expected that this bill will be debated Thurs. (p. 2386).
3. COMMODITY CREDIT CORPORATION. The Rules Committee reported a resolution for consideration of H. R. 7339, to increase the borrowing power of CCC (p. 2386). It is expected that this bill will be debated Fri. (p. 2386).
4. PRICE SUPPORTS. The "Daily Digest" states: "Chairman Andresen of the Special Dairy Subcommittee, following an executive session, stated that his subcommittee discussed the dairy situation today, and in particular the effect of the recent order of the Secretary of Agriculture to reduce the support price on dairy products from 90 to 75 percent of parity. He added that the group went on record that any reduction made in the support price of dairy products should be limited to not more than 5 percent in any 1 marketing year; and that he was to report today's action to the full committee for prompt attention and, if necessary,

conduct open hearings on the dairy support program. It is anticipated that the full committee will consider the dairy problem in connection with the general farm legislation for which hearings will begin March 10." (p. D218.)

5. SOIL CONSERVATION. The Interior and Insular Affairs Committee voted to report (but did not actually report) H. R. 7057, to authorize transfer, exchange, and disposition of land in the Eden project, Wyo. (p. D219).
6. WOOL IMPORTS. Rep. Metcalf recommended control of wool imports (p. 2357).
7. DROUGHT RELIEF. Rep. Curtis, Mo., defended this Department in connection with the controversy on drought relief in Mo. (pp. 2384-5).
8. TRANSPORTATION. Rep. Tollefson urged an adequate American merchant marine (pp. 2389-93).
Rep. Lane criticized the St. Lawrence seaway project (p. 2385-6).

SENATE

9. SECOND SUPPLEMENTAL APPROPRIATION BILL, 1954. Passed as reported this bill, H. R. 7996. Conferees were appointed in both Houses. (pp. 2339, 2349, 2351, 2386.) The bill includes items for the Hoover Commission, the President's Advisory Committee on Government Organization, and judgments and claims.
10. DAIRY INDUSTRY. Sen. Wiley inserted a newspaper article pointing out Wisconsin's high dairy production, and a Wisconsin Agriculturist and Farmer article criticizing the reduction in dairy price supports (p. 2321).
11. DISBURSING. The Banking and Currency Committee reported with amendments S. 2844, to make permanent the authorization of certain transactions by U. S. disbursing officers (S. Rept. 1038)(p. 2319).
12. TREATIES. Sen. Lennon made a motion to reconsider the vote on S. J. Res. 1, the Bricker treaty amendment (pp. 2330-1).
13. ELECTRIFICATION. Received a Ky. Legislature resolution urging adequate funds for TVA, and a National Rural Electric Cooperative Association resolution relating to appropriations for SPA (p. 2318).
14. COMMODITY CREDIT CORPORATION. Sen. Williams submitted amendments which he intends to propose to S. 2714, to increase CCC borrowing power (p. 2319). Majority Leader Knowland stated his intention that this bill be considered today (Mar. 3), and Sen. Williams said he would oppose its consideration (p. 2349).
15. FARM LABOR. Discussed and passed over S. J. Res. 121, to continue the Mexican farm labor program, on objection of Sen. Cooper and others (p. 2333). Majority Leader Knowland stated his intention that this measure be considered Thurs., Mar. 4 (p. 2349).
16. BANKRUPTCY. Received from the Administrator, Office of the U. S. Courts, proposed amendments to the Bankruptcy Act (p. 2318).
17. ALASKA STATEHOOD. Passed over S. 50, the Alaska statehood bill, upon objection of Sen. Bush (p. 2339).

CONSIDERATION OF H. R. 7339

MARCH 2, 1954.—Referred to the House Calendar and ordered to be printed

Mr. ALLEN of Illinois, from the Committee on Rules, submitted the following

REPORT

[To accompany H. Res. 459]

The Committee on Rules, having had under consideration House Resolution 459, report the same to the House with the recommendation the resolution do pass.



House Calendar No. 154

83D CONGRESS
2D SESSION

H. RES. 459

[Report No. 1264]

IN THE HOUSE OF REPRESENTATIVES

MARCH 2, 1954

MR. ALLEN of Illinois, from the Committee on Rules, reported the following resolution; which was referred to the House Calendar and ordered to be printed

RESOLUTION

1 *Resolved*, That upon the adoption of this resolution it
2 shall be in order to move that the House resolve itself into
3 the Committee of the Whole House on the State of the
4 Union for the consideration of the bill (H. R. 7339) to in-
5 crease the borrowing power of Commodity Credit Corpora-
6 tion. After general debate, which shall be confined to the
7 bill, and shall continue not to exceed two hours, to be equally
8 divided and controlled by the chairman and ranking minority
9 member of the Committee on Banking and Currency, the bill
10 shall be read for amendment under the five-minute rule. At
11 the conclusion of the consideration of the bill for amendment,
12 the Committee shall rise and report the bill to the House

1 with such amendments as may have been adopted, and the
2 previous question shall be considered as ordered on the bill
3 and amendments thereto to final passage without intervening
4 motion except one motion to recommit.

83d CONGRESS
2d Session

H. RES. 459

House Calendar No. 154

[Report No. 1264]

RESOLUTION

Providing for the consideration of H. R. 7339,
a bill to increase the borrowing power of
Commodity Credit Corporation.

By Mr. ALLEN of Illinois

MARCH 2, 1954

Referred to the House Calendar and ordered to be
printed

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(For Department Staff Only)

Issued March 4, 1954
For actions of March 3, 1954
83rd-2nd, No. 40

CONTENTS

Agricultural appropriation.....14	Intergovernmental relations.....26	Prices, parity.....25
Agricultural attaches.....14	Relations.....26	Roads.....17
Appropriations.....9,14	Labor, farm.....2,18	Statehood.....16
Buildings and	Land transfer.....8	TVA.....7
Grounds.....22	Lands, grazing.....4	Trade, foreign.....5
CCC.....1	Livestock.....25	Treaties.....20
Dairy industry.....6,25	Loans, farmhouse.....12	Veterans' benefits.....12
Farm policy.....15	Monopolies.....21	Wheat imports.....5
Food distribution.....25	Organization, exec.....9	Wildlife.....23
Forestry.....4,13	Postal rates.....19	Wool.....3,10,21
Health facilities.....11	Price supports...3,6,10,15	

HIGHLIGHTS: Senate passed bill to increase CCC borrowing authority, agreeing to committee amendment to delete July 1 as effective date and Williams amendment to provide for restoration of only realized losses. Senate passed bill to continue Mexican farm labor program. Senate committee reported forest grazing-policies bill. Senate committee voted to report wool price supports bill. Senate committee reported resolution to continue wheat-imports investigation. House debated State, Justice, Commerce appropriation bill; rejected Whitten amendment to pay agricultural attaches from USDA appropriations. House received conference report on 2nd supplemental appropriation bill.

SENATE

1. COMMODITY CREDIT CORPORATION. Passed with amendments S. 2714, to increase the borrowing power of CCC from \$6,750,000,000 to \$8,500,000,000. Agreed to the committee amendment to strike out the effective date of July 1, 1954, so as to make the bill effective upon enactment. Agreed to an amendment by Sen. Williams to require the Treasury Department to appraise CCC inventories on the basis of actual losses and authorizing appropriations instead of note cancellations as a means of reimbursing CCC for losses. (pp. 2414-9.)
2. FARM LABOR. Passed with amendment H. J. Res. 355, to continue the Mexican farm labor program temporarily in the absence of an agreement with Mexico. Agreed to an amendment by Sen. Aiken (on behalf of the Agriculture and Forestry Committee) to make technical changes in the language so as to make it identical with S. J. Res. 121. Rejected a motion by Sen. Humphrey to refer the House measure to the Agriculture and Forestry Committee. The vote on passage of the measure was 59 to 22. (pp. 2420-35.)
3. WOOL PRICE SUPPORTS. The Agriculture and Forestry Committee voted to report (but did not actually report) S. 2911, to provide for a special wool price support program through direct payments, loans, etc. The Committee agreed to several amendments. The principal amendment would provide that, when wool support is carried through loans, such loans could not exceed 90% of parity. (p. D223.)
4. FORESTRY. The Agriculture and Forestry Committee reported with amendments S. 2548, to facilitate the administration, use, improvement, and development of

national forest grazing lands (S. Rept. 1042)(p. 2405).

Sen. Wiley spoke in favor of S. 1173, to earmark 10% of national forest receipts for recreation purposes (p. 2405).

5. WHEAT IMPORTS. The Agriculture and Forestry Committee reported without amendment S. Res. 218, to continue until Jan. 31, 1955, the authority of the Committee to investigate importation of wheat classified as unfit for human consumption (S. Rept. 1043)(p. 2406).
6. PRICE SUPPORTS. Sen. Thye spoke in favor of S. 2962, to limit the reduction in dairy supports, and inserted a letter from the National Milk Producers Federation (pp. 2407-8).
Sen. Hickenlooper inserted a Fortune magazine article, "Mr. Benson's Flexible Flyer," commending the Secretary (pp. 2410-13).
7. TENNESSEE VALLEY AUTHORITY. Sen. Kefauver inserted various statements supporting TVA (p. 2404).
8. LAND TRANSFER. The Agriculture and Forestry Committee reported without amendment S. J. Res. 119, to validate conveyance of a land tract in the Escambia Farms Project, Fla. (S. Rept. 1040)(p. 2405).

HOUSE

9. SECOND SUPPLEMENTAL APPROPRIATION BILL, 1954. Received the conference report on this bill, H. R. 7996 (H. Rept. 1265)(pp. 2443-4). The conferees agreed to \$1,431,909 for the Hoover Commission instead of \$300,000 as proposed by the House and \$1,831,909 as proposed by the Senate. The conferees eliminated \$400,000 included in the budget presentation for task forces which may be created. The House conferees stated, "The Commission is in the process of organizing budget requirements for all task force work and will know better after plans are more definite whether an additional amount will be required."
10. PRICE SUPPORTS. Rep. Multer urged use of the Secretary's wool-support program for all other price-support commodities (pp. 2473-4).
11. HEALTH FACILITIES. The Interstate and Foreign Commerce Committee reported without amendment H. R. 8149, to assist the States in surveying needs for health facilities, and to assist in the construction of such facilities (H. Rept. 1268)(p. 2477).
12. FARM LOANS. The Veterans' Affairs Committee reported without amendment H. R. 8152, to extend to June 30, 1955, the direct home and farmhouse loan authority of the Veterans' Administration, to make additional funds available therefor, etc. (H. Rept. 1267)(p. 2477). Rep. Rogers, Mass., spoke in favor of this bill (pp. 2471-2).
13. FORESTRY. The Agriculture Committee "considered, but postponed further action on" H. R. 1972, to earmark 10% of national forest receipts for recreation (p. D226).
14. STATE, JUSTICE, COMMERCE APPROPRIATION BILL, 1955. Began debate on this bill, H. R. 8067 (pp. 2444-69). Rejected Rep. Whitten's amendment to strike out \$567,000 for agricultural attaches. Rep. Whitten said these attaches should be paid through the agricultural appropriation bill. (pp. 2458-63.)

may be diverted to such crops as soybeans, potatoes, rice, oats, grain sorghums, flaxseed, vegetables. The program undertakes to give some support also to those crops, which may result in merely shifting some of the Government's burden. On this point Mr. Benson takes a wait-and-see attitude.

The program has its philosophic inconsistencies. Tobacco would continue to enjoy 90 percent support, mainly because it has not cost the Government much—not because of anything intrinsically right about 90 percent support for tobacco.

Wool would be supported by out-and-out Government subsidy. The administration wool plan has been called the Brannan plan in sheep's clothing. Actually, the idea was part of farm legislation years before Mr. Brannan gave birth to his brain child.

American woolgrowers are up against foreign competition that, despite United States tariffs running as high as 27 percent, is able to sell annually some 700 million pounds of wool in the United States.

The Government feels that it should maintain the domestic industry at a rate of 360 million pounds a year—as a national defense measure, the argument goes. Sheep growers have convinced the Government they would all vanish from the farm scene without subsidies that hold their prices at 90 percent of parity.

ACID AND EMOTIONAL

Such were the criticisms from friendly sources. Partisan criticism was acid and emotional.

One criticism was that declining prices, instead of cutting production, would have the opposite effect, that farmers would increase their production in a frantic effort to keep ahead.

Department of Agriculture spokesmen deny the validity of the argument, which they say presupposes the farmers will act "irrationally." It is the incentives of rising prices and guaranteed support that cause the farmer to increase production, as witness the 18 years from 1935 to 1953.

From sources that still look without fear on expanding Government power came the old argument that only stricter controls of planting and marketing would do the trick.

But they failed to point out how absolute controls can be applied. The present surpluses, for example, would not be so critical if Brannan had clamped on corn and wheat allotments, as he was directed to by the law, in the presidential-election year of 1952. And Mr. Brannan should not be singled out for special remark. One of the first acts of the somewhat Republican 83d Congress was to pass a bill increasing the allowable cotton acreage from 17,900,000 to 21,300,000. This was not because the United States needs more cotton, but because the old base period from which the allotments were being calculated did not give enough weight to the recent expansion of California and Arizona cotton growing. There no doubt was justice in California's and Arizona's complaint; there was also plenty of political pressure behind it.

The final emotional argument was that farmers should not have to go through an economic readjustment while organized labor enjoys protected wages and industry enjoys markets protected by tariffs. But the fact is that labor does not enjoy anything approaching full protection for wages; for example, it is estimated that 30,000 people were laid off last autumn because of cutbacks in farm-planting. For some the layoffs were more than temporary. At best (or worst) tariffs afford only some protection to some segments of United States industry. It has been estimated that competitive goods manufactured abroad, which would come in if tariff barriers were lifted, would actually amount to less than 1 percent of the total goods now produced by United States manufacturers.

The Randall Commission, by the way, made one observation as relevant to the farm problem as to the foreign-trade problem: "In a free economy, some displacement of workers and some injury to institutions is unavoidable. It may come about through technological change, alterations, new taxes, or many other causes. * * * It has never been seriously proposed that the burden of all such injury arising in a free economy should be assumed by the Government."

STRONG BEGINNING

Obviously, the Benson program is not the last word on "the farm problem."

But it is a strong start. It represents a year of the most exhaustive study (according to the Department) ever given to the farm problem. It is consistent with the philosophy, as expressed by Mr. Eisenhower, of being liberal in dealing with people and conservative in economic affairs. And if it isn't the last word, Mr. Benson believes it is a position to stand on for a long time to come. "It is flexible enough," he says, "to meet any situation which we can foresee at present."

Though few individual items in the Benson package can be called completely new, the plan as a whole does open a new phase in a struggle that has been waged along the farm front for some 30 years.

The conservative position has not always been realistic, which is one reason it has lost every round of the fight so far.

In the twenties, when farmers were sinking helplessly into a depression created by the post-World War I collapse of markets, a Republican Congress thrice turned down the McNary-Haugen bill, which introduced the principle of "ratio-price" (now known as parity) and would have had the Government buy domestic farm surpluses and sell them abroad. Finally, the Republican Congress did pass McNary-Haugen twice, and twice it was vetoed by Calvin Coolidge. McNary-Haugen may have been all wrong. But a Republican Congress and Republican administration never produced anything else to meet the crisis.

The Hoover administration's answer to the farmers' mounting distress was to set up the Federal Farm Board. The Board tried to shore up a collapsing economy by underwriting farm cooperatives, improving marketing methods, and finally by buying 257 million bushels of wheat. The Board held onto the wheat until it lost its nerve, and announced that it was going to unload. Wheat that had been selling around 52 cents a bushel plummeted to 36 cents.

By 1933 some nervier men were in the saddle. Some of the nerviest became entrenched in the Department of Agriculture. In the Department, then under Secretary Henry Wallace, was the Communist Ware group, whose members included Alger Hiss, serving as assistant to the general counsel of the AAA. There were others who, if they were not Communists, shared Marxism's antipathy for the profit system.

Actually much of the New Deal farm legislation would be considered practically reactionary today (for example, the 1938 law, which based a flexible-support program on 52 percent to 75 percent of parity)—but it was the New Deal that started the process of solving all farm problems by increasing Government handouts and expanding Government controls. Senator McCARTHY, who has come out now for farm-price supports up to 110 percent, should feel a little uneasy at finding himself in this ideological tradition.

The Fair Deal carried the process to a point where proponents of any degree of flexibility in price supports were attacked as betrayers of the farmer. A guiding spirit in that drive to the left was Brannan, who is now serving as a lawyer to the Farmers Union, whose president, Jim Patton, once expressed himself as quite convinced that capitalism is a losing idea.

It is a measure of the distance agriculture history has traveled that the Benson program—moderate, cautious as it is—is being attacked now from both the right and the left as too drastic a readjustment.

A STRUGGLE TO WIN

The long years of Agriculture's domination by radical thinkers now multiply Ezra Benson's difficulties. It is probably true that the great bulk of Agriculture Department employees are nonpolitical civil-service workers; it is also true that Benson is closely surrounded by men who have worked under quite different policies, from his. Virtually every important job below the top 4 or 5 is occupied by a Democratic holdover. In 1952 some 150 Department employees were ardent enough Democrats to plunk down \$100 apiece for Jackson Day dinners. At the last count, made by one of the lonely Republicans in the Agriculture Department, the 150 were still at work under Mr. Benson. All but a few of the Department's 69,000 employees in Washington and in the network of fieldmen that stretches across the country are holdovers from Democratic administrations, protected by civil service, veterans' preference, and sometimes just by Ezra Benson's faith in men. Mr. Benson thinks of himself as being in a quandary, and regards the quandary with an air of sadness; he has avowed a determination to do something about it. Until he does, his efforts will be undercut and inhibited. He himself will be the victim of frequent, quiet betrayals.

Mr. Benson is trying to reverse history—a bold move any way it is look at, and bound to bring out all the dexterity of which the opposition is capable. The attacks will be made through covert action in Washington and in the field, and by overt action or stultifying compromises devised by Congressmen.

The mere effort to turn the agricultural economy around and start it in another direction represents an immense undertaking. It took courage to initiate the move, and it will take courage on the part of Benson and his boss to see it through. At this point they appear to be two very determined men.

STATEHOOD FOR HAWAII

THE VICE PRESIDENT. The Chair lays before the Senate the unfinished business, which will be stated by title.

THE LEGISLATIVE CLERK. A bill (S. 49) to enable the people of Hawaii to form a constitution and State government and to be admitted into the Union on an equal footing with the original States.

CALL OF THE ROLL

Mr. KNOWLAND. I suggest the absence of a quorum.

**The PRESIDING OFFICER (Mr. UP-
TON in the chair).** The Secretary will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Alken	Eastland	Hunt
Barrett	Ellender	Ives
Beall	Ferguson	Jackson
Bennett	Flanders	Jenner
Bricker	Frear	Johnson, Colo.
Burke	Fulbright	Johnson, Tex.
Bush	George	Johnston, S. C.
Butler, Md.	Gillette	Kefauver
Butler, Nebr.	Goldwater	Kennedy
Byrd	Gore	Kerr
Carlson	Griswold	Kilgore
Case	Hayden	Knowland
Clements	Hendrickson	Kuchel
Cooper	Hickenlooper	Langer
Cordon	Hill	Lehman
Daniel	Hoey	Lennon
Dirksen	Holland	Long
Dworshak	Humphrey	Magnuson

Malone	Neely	Smith, N. J.
Mansfield	Pastore	Stennis
Martin	Payne	Thye
Maybank	Potter	Upton
McCarthy	Purtell	Watkins
McClellan	Robertson	Welker
Millikin	Russell	Wiley
Monroney	Saltonstall	Williams
Morse	Schoeppel	Young
Mundt	Smathers	
Murray	Smith, Maine	

Mr. SALTONSTALL. I announce that the Senator from New Hampshire [Mr. BRIDGES] is absent by leave of the Senate on official business of the Senate.

The Senator from Pennsylvania [Mr. DUFF] is absent on official business, and the Senator from Indiana [Mr. CAPEHART] is necessarily absent.

Mr. CLEMENTS. I announce that the Senator from New Mexico [Mr. ANDERSON], the Senator from Illinois [Mr. DOUGLAS], and the Senator from Alabama [Mr. SPARKMAN] are absent on official business.

The Senator from Rhode Island [Mr. GREEN] is absent by leave of the Senate, attending the sessions of the 10th Inter-American Conference at Caracas, Venezuela, as a congressional adviser on the United States delegation.

The Senator from Missouri [Mr. HENNINGS] is absent on official business as a member of a subcommittee of the Committee on the Judiciary.

The Senator from New Mexico [Mr. CHAVEZ] and the Senator from Nevada [Mr. McCARRAN] are necessarily absent.

The Senator from Missouri [Mr. SYMINGTON] is absent by leave of the Senate on official business of the Senate.

The PRESIDING OFFICER. A quorum is present.

COMMODITY CREDIT CORPORATION BORROWING AUTHORITY

Mr. KNOWLAND. Mr. President, pursuant to the announcement I made in the Senate yesterday after consultation with the minority leader, I now ask unanimous consent that the unfinished business be temporarily laid aside and that the Senate proceed to the consideration of Senate bill 2714, which is a bill to increase the borrowing power of the Commodity Credit Corporation.

The PRESIDING OFFICER. The clerk will state the bill by title.

The LEGISLATIVE CLERK. A bill (S. 2714) to increase the borrowing power of the Commodity Credit Corporation.

The PRESIDING OFFICER. Is there objection to the consideration of the bill?

There being no objection, the Senate proceeded to consider the bill, which had been reported by the Committee on Agriculture and Forestry with an amendment, in line 10, to strike out "Sec. 3. This act shall be effective July 1, 1954."

Mr. AIKEN. Mr. President, the purpose of this bill is to provide \$1½ billion additional borrowing authority for the Commodity Credit Corporation. Approximately a month ago Congress authorized a restoration of capital impairment of the Commodity Credit Corporation in an amount of \$681,769,703. I was advised a short time ago by Mr. Beach, Director of the Budget Division of the Commodity Credit Corporation, that as of February

19, 1954, the Corporation is estimated to have had \$452.2 million of its borrowing authority still available. That was 2 weeks ago. It is probably safe to say it has approximately \$200 million or possibly \$250 million of borrowing authority left as of today, which will probably carry it through the next 2 or 3 weeks.

The additional borrowing authority provided by the bill should take care of our price-support programs for the 1954 crops, assuming some increase in yields and no sharp drop in general economic conditions. Sharply increased yields, increased plantings of nonallotment price-supported crops, or a sharp decline in business activity, could make additional funds, above those provided by the bill, necessary for 1954 price-support operations. The rate at which cotton and corn loans are being made has slackened somewhat. The Corporation is receiving as a result of price supports a large volume of dairy products, and it is expected that the purchases will increase during the weeks ahead.

If, by the end of the fiscal year, it should appear that more money is required, the representatives of the Corporation have stated they will come before the Congress and advise us so as to make sure they will not run out of funds during the fall harvest season.

I think that tells the story, Mr. President. The Corporation needs the money. It has sufficient funds to enable it to proceed for probably a couple of weeks. It is believed that the amount provided in the bill will enable the Corporation to meet the demands upon it through the 1954 crop year.

Mr. CASE. Mr. President, will the Senator from Vermont yield?

Mr. AIKEN. I yield.

Mr. CASE. Without this increase in borrowing authority, would it be possible to accomplish the purposes of the program?

Mr. AIKEN. It is doubtful whether the President's program could be accomplished. Commodities which are already on hand, including those which the President proposes to set aside, have been already acquired and paid for. Most of the Corporation's funds have already been tied up in these commodities.

Mr. CASE. They have; but would it be possible to continue the program of loans through the Commodity Credit Corporation without this increase in borrowing power?

Mr. AIKEN. No; because the commodities involved in the set-aside proposal are already paid for, and the set-aside would not of itself provide any additional funds. The money would be tied up in the future without much prospect of having it available.

Mr. CASE. Then, if a Senator wishes to support the so-called set-aside proposal and to continue the price-support program through loans, it would be important to support the particular proposed legislation which is now pending, would it not?

Mr. AIKEN. It would be very important to take that position.

Mr. CASE. I thank the Senator from Vermont.

Mr. ELLENDER. Mr. President, will the Senator from Vermont yield?

Mr. AIKEN. I yield.

Mr. ELLENDER. If the set-aside proposal to which the Senator has referred is carried out, would it not be necessary for Congress to appropriate money so as to reimburse the Commodity Credit Corporation for the cost of the commodities that may be set aside.

Mr. AIKEN. The commodities which would be set aside are pretty well tied up for quite a while in the foreseeable future. There would be very little chance of getting any money out of the commodities which are proposed to be set aside, with the possible exception of dairy products.

Mr. ELLENDER. The Senator realizes, of course, that unless we appropriate additional money for the set-aside program, it might hamper the Commodity Credit Corporation from carrying the support program now provided for under the present law. The Corporation has to have this money in order to be able to support prices of certain commodities under the present law.

Mr. AIKEN. The Senator is correct.

Mr. ELLENDER. If any of these commodities are set aside, in order to carry out the new program it will be necessary to appropriate more money for it.

Mr. AIKEN. It is believed that the money provided for in this bill is adequate to carry through this year.

Mr. ELLENDER. That is for the loan program. The pending bill is strictly to carry out the support program now provided by law.

Mr. AIKEN. The Senator is correct. If two and a half billion dollars worth of commodities are set aside and taken out of the picture, we shall not realize much from them for perhaps 3 or 4 years. It is entirely possible that that amount will have to be restored to the Corporation for future price support operations. The authorization contained in the bill is believed to be adequate to take care of the needs for this year.

Mr. HOLLAND. Mr. President, will the Senator from Vermont yield?

Mr. AIKEN. I yield.

Mr. HOLLAND. I wish to invite the attention of the distinguished Senator from Vermont, chairman of the Committee on Agriculture and Forestry, to the fact that it is my understanding the action in reporting the bill was unanimous on the part of all Senators who are members of the Senate Committee on Agriculture and Forestry. Regardless of differences of opinion with respect to price supports, differences of opinion as to the reduction in parity support level of dairy products in which the distinguished Senator from Minnesota [Mr. THYE] is interested, and differences of opinion on other matters, all Senators, if my recollection serves me correctly, felt that here was something that had to be done if the Commodity Credit Corporation was to be assured of its ability to carry through with the existing price-support program during the current year. Am I not correct in my understanding?

Mr. AIKEN. The Senator from Florida is correct. There were no votes in opposition to reporting the bill.

Mr. HOLLAND. I thank the distinguished Senator from Vermont.

The PRESIDING OFFICER. The clerk will state the committee amendment.

The LEGISLATIVE CLERK. On page 1, line 10, it is proposed to strike out section 3.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. WILLIAMS. Mr. President, I call up amendment designated 3-2-54-A, and ask that it be stated.

The PRESIDING OFFICER. The clerk will state the amendment.

The LEGISLATIVE CLERK. In line 3, it is proposed to insert "(a)" after the word "That", and between lines 5 and 6 to insert the following:

(b) (1) The first section of such act is amended by striking out the following: "or insofar as practicable, the average market price of such assets during the last month of the fiscal year covered by the appraisal, whichever is the lower,".

(2) Such section is further amended by adding at the end thereof the following: "Such capital impairment shall be restored with appropriated funds as provided herein rather than through the cancellation of notes."

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Delaware.

Mr. WILLIAMS. I ask that the name of the Senator from Maryland [Mr. BUTLER] appear as a cosponsor of the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. WILLIAMS. The purpose of the amendment is in line with the debate on the floor of the Senate several weeks ago in connection with the cancellation of notes to offset a \$700 million deficit of the Commodity Credit Corporation.

This amendment would have no effect at all with respect to the amount of money provided by the bill, nor would it represent any savings to the taxpayer. The amendment merely provides for a simplification of the bookkeeping system of the Commodity Credit Corporation.

[The first section of the amendment would require the Treasury Department, each year when it made an appraisal of the department's inventories, to appraise those inventories on the basis of actual cost. In other words, the loss would not be written off until after the loss had actually been sustained. That will provide a more accurate picture of what the Corporation was doing and show the exact cost of the program broken down by commodities.

The second section provides that the capital impairment recommended by the Treasury Department would then be written off by direct appropriations, rather than by the present indirect method of note cancellations. Again, I am frank to say that this would repre-

sent no savings to the taxpayers, but would in no manner save time, either, fication of the bookkeeping system. It would also obviate many arguments as to the actual cost of this program to the taxpayers. It would require everything to be set out in the open, and to be above board, so that every commodity would stand on its own footing.]

Mr. ELLENDER. Mr. President, will the Senator yield?

Mr. WILLIAMS. I yield.

Mr. ELLENDER. The amendment would in no manner save time, either, would it, because the Commodity Credit Corporation authorities must appear before committees of the Congress and show what the chargeoff or the impairment of capital is, would they not?

Mr. WILLIAMS. The Senator is correct.

Mr. ELLENDER. In either case, it would be necessary for the Commodity Credit Corporation to present to Congress figures showing what the losses were.

Mr. WILLIAMS. That is correct. It would neither save any time nor require any additional time. It would simply mean that that which was done by the Corporation would be more readily understandable by the American people and by Congress.

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. WILLIAMS. I yield.

Mr. AIKEN. Following the action of Congress in restoring the impaired capital, in the amount, roughly, of \$680 million, officials of the Commodity Credit Corporation discussed the situation not only among themselves, but with other agencies of the Government, and have considered recommending that the law be amended to provide only for restoration of realized losses, as the amendment offered by the Senator from Delaware would provide.

The Corporation would not, under such a proposal, ask for reimbursement until it has equalized its position with the Treasury. In other words, the Commodity Credit Corporation would not ask for restoration of losses until losses actually have been incurred. As I understand it, the Corporation would not ask for restoration of estimated losses.

However, the Department is quite concerned about whether the amendment proposed by the Senator from Delaware would be retroactive in nature and would require them to repay to the Treasury money which has already been restored to them, for estimated losses on inventories and which has been largely spent.

Mr. WILLIAMS. I may say to the Senator from Vermont that there is nothing in the amendment of a retroactive nature, and the amendment is not so intended.

As the Senator from Vermont knows, I opposed the last note cancellation bill which was before the Senate, but I believe that to make the amendment apply retroactively would entail much unnecessary work. It would be almost mathematically impossible to go back and make proper calculations. I would be well satisfied to have the amendment incorporated in the bill, so that from this

time forward the business of the Commodity Credit Corporation would be done in a manner which would be more readily understandable to all concerned.

There is nothing of a retroactive nature in the amendment, and nothing of that nature is intended.

Mr. AIKEN. With regard to the desire of the Senator from Delaware to have impairment restored through appropriated funds, rather than through the cancellation of notes, I have always favored direct appropriations. Appropriations should be made out in the open where everybody can see them. I do not favor the cancellation of notes.

I have no authority, on behalf of the committee, to accept the amendments offered by the Senator from Delaware. Personally, I have no objection to them. With the understanding that the provisions are not retroactive, I am satisfied that the Department would have no objection to the amendments.

Mr. WILLIAMS. It is my understanding, after conferring with officials of the Department, that they were concerned with the possibility of a retroactive feature. I agree with the officials in that view, but there are no retroactive provisions. The amendments would go into effect if and when the bill were passed.

Mr. AIKEN. I thank the Senator from Delaware.

Mr. WILLIAMS. I think the Department recognizes, just as much as do the Members of the Senate, and as has always been the position of the Senator from Vermont, that it would be better to make payments in the form of direct appropriations, which are made openly and above board.

Mr. ELLENDER. Mr. President, will the Senator yield?

Mr. WILLIAMS. I yield to the Senator from Louisiana.

Mr. ELLENDER. I am sure my good friend, the Senator from Vermont, will recall that when we had a conference sometime ago in the Committee on Appropriations pertaining to a replenishment of the capital of the Commodity Credit Corporation, we took the position that only such losses as were actually sustained should be charged off. I favor the amendment suggested and I hope it will be adopted. Several days ago I stated that I did not think it was appropriate for the Commodity Credit Corporation to charge off anticipated losses, but only actual losses. This amendment will accomplish that purpose.

Mr. WILLIAMS. Yes.

Mr. AIKEN. I should like to say to the Senator from Louisiana that after the conference to which he referred, the officials of the Department of Agriculture and other departments of the Government agreed to proceed on a realized-loss basis in asking for the restoration of capital from now on.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Delaware [Mr. WILLIAMS].

The amendment was agreed to.

Mr. WILLIAMS. Mr. President, I have no further amendment to offer to the bill, and I am not going to oppose

the bill because regardless of what we think about the merits or demerits of the 90 percent support program, we must nevertheless recognize that such a program is on the statute books, that it is the law and that therefore Congress is obligated to provide funds in order that the law may be properly administered.

There is, however, another phase of this question which I wish to discuss, and I should like to get some assurance from the chairman of the committee and others in order that we may correct the situation. I refer to the manner in which the poultry industry on the Del-Mar-Va peninsula has been injured by decisions of the United States Government.

For several months poultry prices have been at a low level for farmers throughout the United States. Back in December 1953, a meeting was held at Selbyville, Del., which was attended by the Senators from Maryland, my colleague, the junior Senator from Delaware [Mr. FREAR], the Representative from that area in Maryland, and the Representative from the State of Delaware.

At that time broilers on the Del-Mar-Va peninsula were selling at a loss to the farmers of from 6 to 8 cents a pound. Prices had declined from an average of from 28 to 30 cents a pound in September to a low level in December of from 14 to 18 cents a pound.

It was recognized by all concerned that there had been an overexpansion of production, and that to that extent the farmers themselves were responsible for the correction. It was pointed out, however, at the meeting that while the national average of overproduction had been 15 percent, the overproduction in the Del-Mar-Va area had been less than 7 percent. Therefore, we were at a loss to understand why prices in the Del-Mar-Va area had suffered more than double the decline indicated by the national average. At that time prices on the Del-Mar-Va peninsula were 4½ cents a pound below the national average.

The farmers requested that a study be made in order to obtain the answers to certain questions. One of the questions was why prices in the Del-Mar-Va area had declined to a level much lower than prices throughout the country.

That question was prominent in the minds of all in view of the fact that overproduction on the peninsula was much less than the expansion throughout the country.

Failure of consumer prices to reflect the lower farm prices was also discussed.

The chairman of the Committee on Agriculture and Forestry was already planning the appointment of a subcommittee to study the question of the spread between prices received by the farmers in general and prices paid by the consumer. We hope later to make a report on this question.

We have heard much about the spread in prices of agricultural commodities, not only of poultry but of all other agricultural commodities. Recently the Department of Agriculture issued a report in which it outlined the reasons for the wide spread in beef prices. There have been many such reports, but still the

question kept recurring. There seems to be a failure on the part of many to understand the reasons for the wide spread between the price the consumer pays and what the farmer receives.

In checking the problem confronting the broiler growers it was soon established that the United States Government itself, either intentionally or otherwise, had been a contributing factor to the extreme decline in poultry prices during the last 4 months of 1953. I have already discussed this with officials of the Department of Agriculture and the Quartermaster Corps. I think it should be brought to the attention of Congress.

In the last 6 months of 1953 there were three decisions made by the Government agencies each of which adversely affected the broiler market. One of these decisions resulted in the practical demoralization of the market in the Del-Mar-Va area.

All of us remember the low price of beef back in the middle of 1953, at which time the Secretary of Agriculture inaugurated a beef-buying program to help relieve demoralized prices of cattle. At that time I discussed with the Secretary of Agriculture the possibility that if the program were extended too far, it could result in an adverse effect upon the prices of competitive meats. To a certain extent we find that action to be responsible for the condition with which we are now confronted.

It should be noted that those who raise broilers constitute the only group of farmers in the United States who have not asked for or received one dime in subsidies from the United States Government. They have not asked previously, nor do they ask now, to be included in the price support program, but they do insist that the United States Government does not have a right to administer a support program in another phase of the industry and thereby demoralize poultry prices. After buying this beef the Government distributed the product free of charge for school-lunch programs, hospitals, welfare agencies, and other such organizations. Such agencies used to buy poultry products. Today instead they are using beef which is being distributed cost free and transportation free by the United States Government.

This was a contributing factor in adversely affecting poultry prices at the farm and was so recognized by the Department of Agriculture at the time the program was started.

However, there was another phase to the problem involving an action by the Government which was even more important than the one I have just mentioned. The Government is using the Quartermaster Corps of the Armed Forces as an instrument of the price-support program.

The Armed Forces were given instructions to cut the purchase of poultry by 25 percent and substitute beef on the menu of our men in uniform. This decision was made for the sole purpose of supporting the beef market with little care as to the possible ill effect it would inevitably have on poultry prices.

It was admitted that the decision was made for the sole purpose of helping beef producers, although it was also admitted that in carrying out such a program they recognized that it would have an adverse effect on the price of other meats. It was stated that if poultry prices got low enough, poultry producers would start squealing, and they would then grease their wheel. I think such a statement is an absurd one to be made by any public official.

Mr. President, when this matter was called to our attention—namely, that the Army had reduced by more than 25 percent its purchases of poultry, as compared with those in the preceding 4 months of 1952—again we recognize that that still did not explain why the price of poultry on the Del-Mar-Va peninsula had declined below the national average. The action of the Department of Agriculture in distributing free beef and the action of the Army in curtailing its poultry purchases by 25 percent should have had the same effect throughout the Nation, including the Del-Mar-Va peninsula. So we still did not have the answer as to why prices in the Eastern Shore of Maryland and in the State of Delaware had declined 3 or 4 cents below the national average. Therefore, we continued to check.

We found, much to our surprise, that in carrying out its reduction in purchases, the United States Army had centered the reduction 100 percent in the Del-Mar-Va peninsula, and had practically eliminated all purchases in that area. This action was done notwithstanding the fact that the Del-Mar-Va area represents the largest broiler producing area in the United States and prices in that area were lower than in any other area in the United States.

The entire cutback in Army buying was centered in the Del-Mar-Va area.

Mr. BUTLER of Maryland. Mr. President, will the Senator from Delaware yield to me?

Mr. WILLIAMS. I yield.

Mr. BUTLER of Maryland. Can the Senator from Delaware tell me what proportion of the entire production of broilers and fryers originates in Maryland?

Mr. WILLIAMS. The Eastern Shore of Maryland and the State of Delaware produce approximately 25 percent of all broilers produced in the United States.

Mr. BUTLER of Maryland. Mr. President, will the Senator from Delaware yield further to me?

Mr. WILLIAMS. I yield.

Mr. BUTLER of Maryland. Can the Senator from Delaware tell us the percentage of broilers purchased by the Army, through the New York, Richmond, and Columbia quartermaster centers in 1953 from the Delaware and Maryland area?

Mr. WILLIAMS. It was such an insignificant proportion that I cannot figure it, but the Del-Mar-Va area produces about 3 million broilers a week, whereas in all of 1953 the Army purchased less than 30,000 broilers, or less than 90,000 pounds. They used, however, around 80 million pounds of poultry during 1953.

Mr. BUTLER of Maryland. Is it not true that the Army did not purchase any

in the State of Maryland during that period?

Mr. WILLIAMS. That is true. The State of Maryland did not receive a single order, and only 90,000 pounds were purchased in Delaware.

The Army has blocked out this area, which represents 25 percent of the entire poultry production of the Nation. It is the same area which supplied practically all the poultry used by the Army during World War II, because at that time the Army blocked off our entire producing area, and took 100 percent of its poultry output. As a result, we lost all our civilian markets. However, we are not complaining about that. The Government needed the poultry, and we were glad to provide it. Nevertheless, it is true that we lost all our civilian markets. As the Armed Forces took 100 percent of the poultry output of the Eastern Shore of Maryland and the State of Delaware, the result was that the surrounding areas were able to take over our former customers.

With this background we feel that, at least, we are entitled to our proportionate part of the Army's purchases.

On the other hand, when the Quartermaster Corps of the Army is used as an instrument of the price-support program—and that has been acknowledged to be a fact—and when the Army cuts back by 25 percent its purchases of a product as important as poultry, and then makes all the reduction in the two States of Delaware and Maryland, I think an explanation is called for. Obviously, Mr. President, if such rigging of a market were done by a group of private purchasers, they would be put in jail. And yet we have here a clear-cut case where two Government agencies admit having conspired to rig the market of these commodities.

Mr. BUTLER of Maryland. Mr. President, will the Senator from Delaware yield further to me?

Mr. WILLIAMS. I yield.

Mr. BUTLER of Maryland. The Quartermaster Corps did that without consulting anyone in the poultry industry in Delaware or Maryland and I believe the Senator said that after doing it, the Quartermaster Corps said that when it began to hurt, it was satisfied the injured parties would complain about it.

Mr. WILLIAMS. That is correct; the Army said it was subjected to such tremendous pressure that it had to help the beef producers; and therefore it felt it had to cut back the purchases of poultry. So evidently the Army is inviting a little bit of squeaking and a little bit of pressure. If that is what it is inviting, I am certain it will find such squeaks and pressure occurring, because, so far I am concerned, it will find difficulty in obtaining appropriations to finance these unjust if not illegal decisions.

Mr. President, this is a case which should be looked into by the Department of Justice, because the United States Government has no right to take the tax dollars of the people of the States of Maryland and Delaware and then use those dollars to put the farmers of those States out of business.

Mr. FREAR. Mr. President, will my colleague yield to me?

Mr. WILLIAMS. I am glad to yield to my colleague.

Mr. FREAR. I understood the senior Senator from Delaware to say that during World War II the Army took all the poultry or all the broilers produced in the Eastern Shore of Maryland and in the State of Delaware, for consumption by those who served in the armed services. Is that true?

Mr. WILLIAMS. That is true.

Mr. FREAR. Did the Army or the purchasing agent for the Army pay a premium price for that poultry, to indemnify in a small degree the poultry producers of that area for losing their civilian markets?

Mr. WILLIAMS. No; the poultry was purchased at the national average price. I may say that the price at which the poultry was purchased was satisfactory and resulted in a profit, insofar as the farmers were concerned, although there was much complaint about the arbitrary manner in which that operation was conducted—and much could be said about it. The farmers in that area felt that if the Army needed the poultry, they were willing to let the Army have it. At the same time, because of that situation, and in view of the fact that as a result those farmers lost their civilian markets, a good argument could be made on the proposition that they now should receive some consideration. At least they are entitled to their share of the Government business.

We will not sit idly by and have the United States Army completely block off the most important poultry-producing area of the Nation by refusing to make any poultry purchases whatever in that area.

Mr. FREAR. Mr. President, will my colleague yield further to me?

Mr. WILLIAMS. I am glad to yield.

Mr. FREAR. My colleague correctly stated that the Army did this in an arbitrary manner. I subscribe entirely to his statement. I think the poultry farmers of our area are receiving at this time treatment similar to that they received during the war, in that the purchasing agency of the Armed Forces is acting very arbitrarily in placing purchase orders for poultry in areas other than the one about which we are speaking, namely, the Eastern Shore of Maryland and the State of Delaware.

The producers in that area have had very little benefit from the civilian markets during most of the last 18 months, as a matter of fact; is not that true?

Mr. WILLIAMS. That is true.

Mr. BUTLER of Maryland. Mr. President, will the Senator from Delaware yield further to me?

Mr. WILLIAMS. I yield.

Mr. BUTLER of Maryland. It is an established doctrine that the power to tax is the power to destroy. It now would seem that the power to purchase is the power to destroy.

Mr. WILLIAMS. There can be no question of that, and that is recognized by the procurement officials of the Army.

Mr. President, to emphasize the absurdity of this situation, let me point

out that a large Army camp is located within half a mile of where my colleague from Delaware lives, Dover, Del. The Army is actually transporting poultry there for a distance of 600 or 800 miles, and is paying the transportation charges in order to feed the men in that Army camp—a camp which is located in the very heart of the greatest broiler-producing area in the United States. And the Army is paying for the poultry it sends there at a greater price than the price at which the poultry could be purchased in that very area. That is ridiculous.

Mr. BUTLER of Maryland. Mr. President, will the Senator from Delaware yield further to me?

Mr. WILLIAMS. I yield.

Mr. BUTLER of Maryland. Does not the Senator from Delaware know that other agencies of the Government are purchasing materials offshore, at an equal or greater price than that at which the same materials could be purchased in the United States? Yet in this instance, by using the poultry produced in the area, the Army could avoid paying the freight charges they are required to pay in the case of the broilers and fryers sent from a distance. Is not that correct?

Mr. WILLIAMS. Yes.

I took up this question with the Army, and I said there could be only two possible reasons, so far as I knew, why it was bypassing that area. One would be the quality of our poultry. They said that was not true. Of course, I would have argued with them if they had said otherwise, because as one from that area, we know it is as good as that produced anywhere. Nevertheless, they admitted that that was not the reason. The next question then must be the question of price. Immediately they jumped at that and said, "Yes; your price in that area is a little higher. We could buy them cheaper elsewhere. As one who advocates economy, we know you want us to buy them where they can be bought the cheapest." I would not argue that point. I asked for the figures, and found that the prices being paid in other areas were not lower but higher than the prices in the Del-Mar-Va area.

So they were acting contrary to the argument which they made with respect to buying poultry products at the lowest price. Therefore, it is established that it is not the quality nor is it the price that influenced their decision. Thus far they have been unable to think of any other excuse. The Government has no right to demoralize any farming industry. Such a course would not be tolerated by other States for 1 minute in connection with the support program. For example, if Government officials were to say, "We will support the price of wheat, but we will leave North Dakota or Minnesota out, and buy no wheat in that area," or if they were to say, "We will leave out Michigan or Minnesota in buying milk," or "We will leave out the State of Maine when we buy potatoes," I do not think any of those States, or any other State in the Union, would stand for it; and we in the Del-Mar-Va

area do not intend to stand for it in this instance.

Mr. BUTLER of Maryland. Mr. President, will the Senator yield?

Mr. WILLIAMS. I yield.

Mr. BUTLER of Maryland. Is it not true that during the entire year of 1953 the three great purchasing agencies of the Army in this area did not buy a pound of broilers or roasters on the eastern shore of Maryland?

Mr. WILLIAMS. That is correct. There are many plants on the eastern shore of Maryland. Last year they produced 176 million pounds of poultry, for which new markets had to be found. The State of Delaware produced 202 million pounds.

When the Government decided arbitrarily to cut back the buying of poultry in order to help the price of beef, the entire cutback was made in those States. I think that is wrong. The Government had no right to cutback the buying of poultry in order to help the price of meat. I do not believe that it was ever intended that the United States Army should serve as a support program for agricultural commodities. The sooner the Army officials get that through their heads the better it will be. If such a policy continues, eventually we shall find the Army buying tanks in order to keep a certain plant operating, whether tanks are needed or not. We shall find them buying other products without regard to their need, but solely on the basis of make-work policies.

Mr. BUTLER of Maryland. Mr. President, will the Senator further yield?

Mr. WILLIAMS. I yield.

Mr. BUTLER of Maryland. Does not the Senator find, in talking with representatives of the various agencies, that just such a psychology is creeping into their thinking?

Mr. WILLIAMS. I think it may be; and if it is, it is time to have it corrected. I should like to hear an expression from the Senator from Vermont [Mr. AIKEN], chairman of the Committee on Agriculture and Forestry, as to whether or not he thinks we are "off base" in filing our protest against the action which has been taken.

Mr. AIKEN. Mr. President, the chairman of the Committee on Agriculture and Forestry feels that when it comes to protecting the rights of Delaware and Maryland poultry raisers, the Senators from those States are in a class by themselves.

Mr. WILLIAMS. Apparently we have done a very poor job up to this point in protecting ourselves.

Mr. AIKEN. The Committee on Agriculture and Forestry is always concerned over any inequity in the prices which farmers receive, and in the spread of prices between the producer and the ultimate consumer. That is the reason why the committee authorized the appointment of a subcommittee to follow up the actions which might affect farm prices generally, or prices in a particular area. The subcommittee consists of the Senator from Delaware [Mr. WILLIAMS], the Senator from Kansas [Mr. SCHOEPP], and the Senator from North Carolina [Mr. HOEY]. I believe they

constitute a very effective subcommittee. I think it can almost be taken for granted that the full committee will support the subcommittee in its findings, because I believe its findings will be findings of fact.

I know that on frequent occasions the Senator from Delaware has mentioned the names of persons on the floor of the Senate; but I have never known him to make any charge against any person on the floor of the Senate which was not later substantiated. I have never known him to name a person on the floor of the Senate who was not later found to be negligent in some respect.

Our committee does not have much money with which to operate. A year ago we had \$15,000, and spent \$10,000 of it. To my dismay, I found that the time for spending the other \$5,000 expired on January 31. We have submitted a resolution, which I presume will go to the Committee on Rules and Administration, asking that we be permitted to use the other \$5,000 during the remainder of the year. I believe we can make it go a long way.

So far as the Senator from Delaware is concerned, I feel that we should support him in correcting inequities, whether such inequities are committed by individuals or by an agency of Government, if they result in harmful effects upon the farm economy in general.

Mr. WILLIAMS. Mr. President, I appreciate the statement of the Senator from Vermont. Let me repeat what I said in the beginning. I am not making this protest by way of an objection to the bill which is now being considered. However, it is appropriate to discuss the subject while we are talking about increasing the borrowing authority of the Commodity Credit Corporation. While it is true that the Commodity Credit Corporation is not directly responsible for what the Army buys, yet both agencies admit that the overall plan to reduce purchases of one agricultural commodity at the expense of another was worked out in a joint conference between the two agencies. So far as the American farmer is concerned, he is not in the least bit interested in whether X agency or Y agency is the agency which bankrupts him. It is the United States Government which is responsible, and the farmer wants the situation corrected regardless of whether one agency or the other is responsible. We do not want any buckpassing.

I close by expressing the hope that both agencies will recognize the impropriety of that which they have done, and take immediate steps to correct the situation. If they do not do so, I shall continue this effort in perhaps a more aggressive manner than I am now proceeding. I cannot sit by as a representative from that area and see Government purchasing agencies deliberately bring about wholesale bankruptcies in the farming area of that section of the country.

The county in which I live rates as the third largest agricultural county east of the Rocky Mountains in terms of production. When we speak of agricultural production, it is often supposed that reference is made only to the Midwest.

For the benefit of those who look upon our area as more or less an industrial area, let me repeat that Sussex County, Del., in which I live outranks every county in the so-called farm belt in the Midwest and every county in the South. Furthermore it is time that the administration recognizes that our farmers are just as important to the economy of this Nation as are the farmers in the so-called agriculture belt.

Mr. BUTLER of Maryland. Mr. President, will the Senator yield?

Mr. WILLIAMS. I yield.

Mr. BUTLER of Maryland. Does the Senator think it would be worthwhile to place in the RECORD at this point figures showing the total number of pounds of fryers and broilers sold from farms in this area and the total purchases made by the three purchasing agencies of the Army?

Mr. WILLIAMS. I think it would be appropriate, and I think it might be well to have such figures incorporated into the RECORD.

I ask unanimous consent to have printed in the RECORD at this point a breakdown of the production capacity of each of the major broiler-producing areas.

There being no objection, the tabulation was ordered to be printed in the RECORD, as follows:

1. Georgia-----	315, 339, 000
2. Arkansas-----	203, 356, 000
3. Delaware-----	202, 092, 000
4. Maryland-----	176, 595, 000
5. Texas-----	170, 783, 000
6. California-----	158, 661, 000
7. Virginia (Shenandoah Valley)-----	156, 990, 000
8. North Carolina-----	121, 425, 000
9. Indiana-----	107, 757, 000
10. Maine-----	87, 582, 000

Total pounds sold from farms (latest figures officially available above) for the year 1952-----	2, 695, 358, 000
---	------------------

Mr. WILLIAMS. I also ask unanimous consent to have printed in the RECORD a report of purchases for 1953 which I received under date of February 24, 1954, signed by K. L. Hastings, Major General, United States Army, the Quartermaster General. In this report he confirms that the States of Delaware and Maryland have been ignored 100 percent during the past 12 months. The bad effects of this action accumulated during the year and finally were climaxed by the disastrous break in the last couple of months.

This report covers only three procurement centers, at Richmond, Va.; Columbia, S. C.; and New York, N. Y. They are the three centers which do the buying so far as the eastern seaboard is concerned. Other procurement centers do the buying for other areas of the country.

There being no objection, the report was ordered to be printed in the RECORD, as follows:

DEPARTMENT OF THE ARMY,
OFFICE OF THE QUARTERMASTER GENERAL,
Washington, D. C., February 24, 1954.
Senator JOHN J. WILLIAMS,
United States Senate.

DEAR SENATOR WILLIAMS: Pursuant to your request of January 27, 1954, there are at-

tached tabulations by States of monthly purchases of poultry made by the New York, Richmond, and Columbia Quartermaster Market Centers during calendar year 1953. Prices given are the average of the prices paid by each market center to vendors in the respective States in the months listed and include transportation costs.

This office is glad to have been able to be of assistance to you in this matter.

Respectfully yours,

K. L. HASTINGS,
Major General, USA,
The Quartermaster General.

New York quartermaster market center, fryers and roasters, ready to cook, domestic consumption

PURCHASES IN NEW JERSEY

1953	Number of pounds	Average price per pound
January.....	44,200	\$0.5781
February.....	8,400	.5784
March.....	26,700	.5326
April.....	18,080	.5301
May.....	21,510	.5054
June.....	13,680	.5127
July.....	22,680	.5433
August.....	12,370	.5376
September.....	32,740	.5178
October.....	4,710	.5524
November.....	2,050	.5529
December.....	6,350	.4826

PURCHASES IN PENNSYLVANIA

January.....	57,864	\$0.5027
February.....	38,282	.5203
March.....	20,740	.5204
April.....	21,370	.5219
May.....	9,335	.5168
June.....	283,470	.4744
July.....	102,070	.5094
August.....	15,600	.5271
September.....	112,050	.4654
October.....	15,450	.5023
November.....	103,400	.4673
December.....	69,960	.4325

PURCHASES IN NEW YORK

January.....	60,650	\$0.4895
February.....	820	.5478
March.....	640	.5614
April.....	610	.5308
May.....	2,000	.5297
June.....	6,300	.5001
July.....	5,000	.4928
August.....	600	.5875
September.....	None	None
October.....	400	.5500
November.....	39,200	.4525
December.....	14,000	.4223

PURCHASES IN MAINE

January.....	None	None
February.....	None	None
March.....	None	None
April.....	8,560	\$0.4801
May.....	30,000	.4973
June.....	30,000	.5100
July.....	None	None
August.....	None	None
September.....	None	None
October.....	None	None
November.....	None	None
December.....	90,000	.4972

Richmond quartermaster market center, fryers and roasters, ready to cook, domestic consumption

PURCHASES IN PENNSYLVANIA

1953	Number of pounds	Average price per pound
January.....	0	0
February.....	57,300	\$0.4663
March.....	83,000	.4600
April.....	71,100	.4742
May.....	98,000	.4671
June.....	59,867	.5295

Richmond quartermaster market center, fryers and roasters, ready to cook, domestic consumption—Continued

1953	Number of pounds	Average price per pound
July.....	63,500	\$0.5418
August.....	92,500	.4953
September.....	30,500	.4804
October.....	46,000	.5052
November.....	82,300	.5097
December.....	75,400	.4185

PURCHASES IN VIRGINIA

January.....	179,560	\$0.4939
February.....	268,950	.4792
March.....	270,000	.4727
April.....	114,300	.4651
May.....	55,500	.4590
June.....	175,000	.4623
July.....	25,000	.5595
August.....	13,500	.5135
September.....	62,000	.4883
October.....	248,300	.4588
November.....	100,775	.4687
December.....	380,800	.4136

PURCHASES IN DELAWARE

January.....	None	None
February.....	None	None
March.....	None	None
April.....	None	None
May.....	None	None
June.....	17,300	\$0.4531
July.....	23,000	.5344
August.....	6,500	.4998
September.....	None	None
October.....	None	None
November.....	30,900	.4551
December.....	None	None

Columbia quartermaster market center, fryers and roasters, ready to cook, domestic consumption

PURCHASES IN NORTH CAROLINA

1953	Number of pounds	Average price per pound
January.....	53,300	\$0.5346
February.....	204,860	.4661
March.....	142,405	.4807
April.....	154,820	.4680
May.....	277,120	.4615
June.....	333,200	.4676
July.....	189,110	.5072
August.....	552,775	.4793
September.....	493,260	.4671
October.....	261,500	.4664
November.....	246,000	.4662
December.....	279,800	.4134

PURCHASES IN GEORGIA

January.....	402,000	\$0.5323
February.....	303,180	.4658
March.....	157,000	.4652
April.....	181,500	.4700
May.....	220,700	.4552
June.....	260,612	.4835
July.....	346,100	.5028
August.....	107,100	.4813
September.....	115,620	.4725
October.....	165,630	.4730
November.....	219,040	.4497
December.....	245,470	.4198

Mr. WILLIAMS. It is unquestionably true that all the cutback was made in our Delmarva area. I think the United States Government has the responsibility to offset that cutback in the months to follow, not only by reinstating purchases where they belong, but by giving to our area extra orders until such time as the balance is reestablished.

I have likewise discussed the subject with the majority leader, and I understand that he, too, will support our contention that the discrimination against

our area, the States of Maryland and Delaware, was never intended by Congress when it appropriated funds for the United States Army.

Mr. KNOWLAND. Mr. President, I wish to say to the distinguished Senator from Delaware that I did raise some objections to the possibility of an amendment to the bill on that point. The Senator from Delaware agreed that it would not be the correct procedure to offer such an amendment in order to meet the problem. I say to him at this time that there has been inequity in the handling of the situation which, at least on its face, and also from the facts which the Senator from Delaware has presented—and I have no doubt that they are accurate facts, because I have always found him to be accurate in his presentations, both on the floor of the Senate and privately—and that I would certainly undertake to determine why such inequity was permitted to exist, and to do everything possible to try to remedy it.

Mr. WILLIAMS. I appreciate the statement of the distinguished majority leader.

Mr. President, with the assurances which we have had of cooperation on the part of the leaders in the Senate in urging correction of this unfair situation, I shall not object to the passage of the bill.

The PRESIDING OFFICER (Mr. BENNETT in the chair). The question is on the engrossment and third reading of the bill.

The bill (S. 2714) was ordered to be engrossed for a third reading, read the third time, and passed.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Bartlett, one of its clerks, announced that the House had agreed to the amendments of the Senate to the bill (H. R. 2984) to prohibit reduction of any rating of total disability or permanent total disability for compensation or pension purposes which have been in effect for 20 or more years.

ENROLLED BILLS SIGNED

The message also announced that the Speaker had affixed his signature to the following enrolled bills, and they were signed by the Vice President:

H. R. 687. An act for the relief of Sister Walfreda (Anna Nelles), and Sister Amaltrudis (Gertrude Schneider);

H. R. 711. An act for the relief of Mrs. Ruth R. Ekholm;

H. R. 749. An act for the relief of Shul-Fook Fung;

H. R. 788. An act for the relief of Beryl Williams;

H. R. 823. An act for the relief of Abraham G. Sakin;

H. R. 824. An act for the relief of Demetrios Konstantino Papanicolaou;

H. R. 828. An act for the relief of Dr. Vincenzo Guzzo;

H. R. 907. An act for the relief of Wolodymyr Hirniak;

H. R. 946. An act for the relief of Mrs. Louise Blackstone;

H. R. 965. An act for the relief of Michael Demcheshen;

H. R. 1339. An act for the relief of Dr. Soon Tai Ryang;

H. R. 1346. An act for the relief of Zia Edin Taheri and Frances Hakimzadeh Taheri;

H. R. 1358. An act for the relief of Dr. Marcelino J. AVECILLA and Dr. Teodora A. FIDELINO-AVECILLA;

H. R. 1495. An act for the relief of Louis M. Jacobs;

H. R. 1649. An act for the relief of Mrs. Gisela Walter Sizemore;

H. R. 1688. An act for the relief of Henry Ty;

H. R. 1795. An act for the relief of Helena Shostenko;

H. R. 2035. An act for the relief of Mrs. Michaline Borzecka;

H. R. 2387. An act for the relief of William M. Smith;

H. R. 2504. An act for the relief of Sisters Adelaide Canelas and Maria Isabel Franco;

H. R. 2507. An act for the relief of Alfonso Gatti;

H. R. 2622. An act for the relief of Maria Teresa Ortega Perez;

H. R. 2623. An act for the relief of Jose M. Thomasa-Sanchez, Adela Duran Cuevas de Thomasa, and Jose Maria Thomasa Duran;

H. R. 2774. An act for the relief of Endre Szende, Zsuzsanna Szende, Katalin Szende (a minor), and Maria Szende (a minor);

H. R. 2817. An act for the relief of George A. Ferris;

H. R. 3005. An act for the relief of Charles Sabah;

H. R. 3236. An act for the relief of Constantin and Lucia (Bercescu) Turcano;

H. R. 3455. An act for the relief of Jalal Rashtian;

H. R. 3749. An act for the relief of Wolde-mar Jaskowsky; and

H. R. 5773. An act to provide for the refund, under certain conditions, of money paid as premiums on United States Government life insurance or national service life insurance which is canceled for fraud.

AGRICULTURAL WORKERS FROM MEXICO

Mr. KNOWLAND. Mr. President, I ask unanimous consent that the unfinished business be temporarily laid aside and that the Senate proceed to the consideration of House Joint Resolution 355.

The PRESIDING OFFICER. Is there objection to the request of the Senator from California?

There being no objection, the Senate proceeded to consider the joint resolution (H. J. Res. 355) to amend the act approved July 12, 1951 (65 Stat. 119, 7 U. S. C. 1461-1468) as amended, relating to the supplying of agricultural workers from the Republic of Mexico.

Mr. AIKEN. Mr. President, I send an amendment to the desk and ask to have it stated. The amendment is identical with the text of Senate Joint Resolution 121, Calendar No. 983, to supply agricultural workers from the Republic of Mexico.

Mr. KNOWLAND. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The Secretary will call the roll.

The legislative clerk proceeded to call the roll.

Mr. KNOWLAND. Mr. President, I ask unanimous consent that the order for the call of the roll be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

The question is on agreeing to the amendment offered by the Senator from

Vermont [Mr. AIKEN], which the clerk will state.

The CHIEF CLERK. It is proposed to amend the joint resolution so as to read:

Resolved, etc., That section 501 of the Agricultural Act of 1949, as amended is further amended by striking out the parenthetical clause "(pursuant to arrangements between the United States and the Republic of Mexico)" and inserting in lieu thereof "(pursuant to arrangements between the United States and the Republic of Mexico or after every practicable effort has been made by the United States to negotiate and reach agreement on such arrangements)."

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Vermont.

The amendment was agreed to.

Mr. AIKEN. Mr. President, the reason for introducing the joint resolution is that the mutual agreement between the United States and Mexico expired on January 15, 1954, and the two governments have been unable to get together on certain points since that time. The United States Government undertook unilateral recruitment of farm labor which had legally entered the United States. That had been going on, I think, for approximately a month, and it was found that legislation would be necessary to enable it to continue. So the proposed legislation has been introduced, which in effect, authorizes the proper United States agency to recruit Mexican farm labor in the event that the United States Government is unable to reach an agreement with the Mexican Government.

As I understand, Mr. President, the two Governments have now virtually reached an agreement for the coming year and are simply trying to work out the proper language at this time. It may require another week or two to do that. However, our Labor Department feels that if this proposed legislation were enacted it would be a safeguard for the future in the event the law is continued and the two Governments are unable to reach an agreement. It is believed that it will also help in working out any new agreement.

I wish to say again that the two governments are in virtual agreement at this time. If they reach a satisfactory agreement, unilateral action will not be necessary, and the situation will be as it was last year. Of course, in the event the two Governments are unable to reach a satisfactory agreement, and there is no provision for unilateral screening of the migrant labor from south of the border, we shall simply have labor contractors going into the field, and there is a feeling that the screening will not be as thorough as it would be if the Federal Government had a part in the program.

I understand the Mexican Government is now showing a real willingness to reach an agreement, and, in all probability, the program will be worked out between the two Governments within the next 10 days.

The Department of Labor feels that the amendment to the law should be enacted so that in the event another impasse is reached, the recruitment of

Mexican labor will not be turned over to private contractors and we will not be running the risk of getting more undesirable migrant labor.

Mr. LEHMAN. Mr. President, will the Senator from Vermont yield?

Mr. AIKEN. I yield.

Mr. LEHMAN. As I understand it, this joint resolution would permit the admission of certain migrant workers through unilateral action of the United States Government in the event a satisfactory agreement cannot be reached with the Mexican Government, as has been the case in previous years.

I should like to ask the distinguished chairman of the Committee on Agriculture and Forestry what would be the qualifications required; what would be the standards in regard to the admission of migrant workers from Mexico?

Mr. AIKEN. I think the qualifications would be such as would be established by our own Department of Labor. Whether they would be higher than those which are provided under a mutual agreement with Mexico, I cannot say. To me the significant thing is that these laborers will cross the border, anyway, looking for work, and it is probably better to have them screened by the United States Labor Department than it is to let them scatter and seek work wherever they can find it, because probably a greater measure of security is afforded by having our own agency screen them. We hope and believe it will not be necessary to do that, but, apparently, the Mexican Government was not ready to renew the agreement at the time the old one expired on January 15, and something had to be done. It seemed more orderly for the United States Government to undertake to do it.

Mr. LEHMAN. Do I correctly understand that an undisclosed number of migrant workers would be screened according to the requirements of our immigration laws today, covering the legal admission of migrant labor?

Mr. AIKEN. It is my understanding that under the Immigration Act migrants can be admitted temporarily for farm labor. The Labor Department would not be expected to accept those who entered the country illegally.

I wish the Senator from New York to understand that I am not an expert on immigration at all.

Mr. LEHMAN. I should like to establish the fact that satisfactory requirements concerning qualifications will be provided by the proposed amendment, in admitting a large number of Mexican workers into this country. I wonder whether the distinguished Senator can inform me further on that question.

Mr. AIKEN. I shall have to say it is my impression that the qualifications and standards would be as high, and probably higher, if the immigrants were screened by the Department of Labor as they would be if there were no screening at all. There is some protection involved which we would not have if the laborers came across the border and contacted labor contractors here and there, seeking jobs for themselves.

Mr. LEHMAN. I thank the Senator.

Mr. AIKEN. I assure the distinguished Senator from New York that

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(For Department Staff Only)

Issued March 8, 1954
For actions of March 5, 1954
83rd-2nd, No. 42

CONTENTS

Adjournment.....4	Flood control.....18	Public works.....7
Appropriations.....3	Forestry.....13,20	Reclamation.....17
CCC.....1,21	Health.....2	Roads.....2
Dairy products.....8	Labor, farm.....12	St. Lawrence Seaway.....11
Electrification.....17	Legislative program.....4	Surplus commodities...9,10
Expenditures.....16	Loans, farm.....1,5	Taxation.....2
Farm program.....19	Personnel.....14	T.V.A.....15
Farm training.....6	Prices, support.....1,8,10,21	Veterans' benefits.....6

HIGHLIGHTS: House passed bill to increase CCC borrowing authority. House Rules Committee cleared road-authorizations and excise-tax reduction bills. Reps. Whitten and Marshall introduced bills to continue existing price supports.

HOUSE

1. COMMODITY CREDIT CORPORATION. Passed without amendment S. 2714, to increase the borrowing power of CCC from \$6,750,000,000 to \$8,500,000,000, effective immediately, and to provide for CCC reimbursement for net realized losses only, such reimbursement to be by appropriation instead of note cancellation (p. 2611). Before passing S. 2714, the House voted, 58-180, against a motion by Rep. Multer to recommit H. R. 7339, the companion bill which was being debated at the time (p. 2611). Also rejected, 48-89, an amendment by Rep. Spence providing that "Hereafter, the Commodity Credit Corporation shall not issue or sell any of its obligations to any person other than the Secretary of the Treasury; however, this sentence shall not apply to certificates issued by the Commodity Credit Corporation to banks making Commodity Credit Corporation loans" (pp. 2598-604). Also rejected, 73-109, an amendment providing "That the Corporation shall not issue any obligations (other than to the Secretary of the Treasury) at a rate of interest in excess of 25 percent of the rate of interest (or comparable cost) paid by the Treasury of the United States on the most recently issued obligations of the United States of comparable maturity, except that the provisions of this proviso shall not apply to lending agency agreements applicable to loans under a commodity loan program" (pp. 2604-8). S. 2714 will now be sent to the President.
2. ROADS; TAXATION; HEALTH. The Rules Committee reported resolutions for consideration of H. R. 8127, authorizing road appropriations (p. 2583); H. R. 8224, to reduce excise taxes (p. 2611); and H. R. 8149, authorizing additional appropriations for health facilities (p. 2583).
3. STATE, JUSTICE, CONFERENCE APPROPRIATION BILL FOR 1955. Passed with amendments

this bill, H. R. 8067 (pp. 2585-6).

4. ADJOURNED until Mon., Mar. 8 (p. 2615). Legislative program, as announced by Majority Leader Halleck: Mon., road authorizations; Tues., health facilities; Wed., excise-tax reduction; Thurs., Mexican farm-labor appropriation and watershed bills. During the following week, probably Army civil-functions appropriations and general tax-reduction bills. (p. 2610.)

BILLS INTRODUCED

5. FARM LOANS. H. R. 8248, by Rep. Elliott, to expand and extend the direct home and farmhouse loan authority of the Veterans' Administration; to Veterans' Affairs Committee (p. 2615).
6. FARM TRAINING. H. R. 8249, by Rep. Elliott, to remove the requirement of automatic periodic reduction of the education and training allowances of veterans pursuing on-the-job training or institutional on-farm training under the Veterans' Readjustment Act; to Veterans' Affairs Committee (p. 2615).
7. PUBLIC WORKS. H. R. 8250, by Rep. Kelley, Pa., to provide for public works to offset unemployment; to Public Works Committee (p. 2615).
8. PRICE SUPPORTS. H. R. 8251, by Rep. Reed, N. Y., to limit the downward adjustment of dairy price supports; to Agriculture Committee (p. 2615).
H. R. 8253, by Rep. Whitten, and H. R. 8256, by Rep. Marshall, to continue existing price supports under present conditions; to Agriculture Committee (p. 2616).
9. SURPLUS COMMODITIES. H. R. 8257, by Rep. Perkins, and H. R. 8258, by Rep. Sheppard, to provide adequate diets for the unemployed and their families in distress areas of unemployment; to Agriculture Committee (p. 2616).

ITEMS IN APPENDIX

10. PRICE SUPPORTS. Rep. Stringfellow inserted and commended Secretary Benson's speech, "Let Us Think, Decide, and Act," wherein the Secretary discusses the problems created by huge commodity surpluses and opposes "rigid price supports" (pp. A1761-3).
11. ST. LAURENCE SEAWAY. Reps. Friedel and Van Zandt inserted letters and statements opposing this project (pp. A1750-1, A1757-8).
12. FARM LABOR. Rep. Rooney inserted a New York Times article claiming that passage of H. J. Res. 355, to continue the Mexican farm labor program in the absence of an agreement with Mexico, "has stirred intense anger" in Mexico (p. A1757).
13. FORESTRY. Extension of remarks of Rep. Hays commending the action of various Congressmen in helping to recommit H. R. 4646, the public-for-private timberlands exchange bill, and including Lowell Mellett's article discussing this matter (p. A1761).
14. PERSONNEL. Extension of remarks of Rep. Roosevelt criticizing the standards used in determining security risks in the Federal Government and including the transcript of the exchange between Rep. Sieminski and a Treasury Department official as to what constitutes a security risk (pp. A1763-4).

a vote of 374,649 to 82,923, and on July 3, 1952, Public Law 447 of the 82d Congress became effective. This Public Law 447 approved the constitution of the Commonwealth of Puerto Rico. Since that date the status of Puerto Rico has been that of a commonwealth. To say that it is anything else is to voice something that is not true. It is an entirely new relationship in our American Union.

The learned and universally esteemed Resident Commissioner of Puerto Rico, the Honorable Dr. A. FERNÓS-ISERN, believes that definitions such as that in the housing bill should read "States, Territories, and possessions, including the District of Columbia, and the Commonwealth of Puerto Rico." Otherwise he is fearful that much legal confusion may eventuate. I understand that in the one instance that has arisen since July 3, 1952, a court in Boston held that Puerto Rico was not a Territory or a possession, but did possess the attributes germane to a State. Other courts well may see no similarity in a State structure and that of a commonwealth.

Mr. Speaker, the plain fact is that now for the first time we have a commonwealth as part of our Union. In future it is possible we will have other commonwealths. I am inclined to think the better type definition, designed to cover the situation of the present and not of the past, would be "States, Territories, commonwealth, and possessions, including the District of Columbia."

In any event it would seem to be the course of prudence for the State Department to leave the decision to the scholarship of the Congress. I am bringing it up now so that Members may have ample time for its consideration before the bill reaches the floor of the House.

STATE, JUSTICE, AND COMMERCE APPROPRIATION BILL, FISCAL YEAR 1955

The SPEAKER. The unfinished business is further consideration of the bill (H. R. 8067) making appropriations for the Departments of State, Justice, and Commerce, and the United States Information Agency, for the fiscal year ending June 30, 1955, and for other purposes, which the Clerk will report by title.

The Clerk read the title of the bill.

The SPEAKER. The question recurs on the amendment offered by the gentleman from Ohio [Mr. CLEVELER], on which a separate vote was demanded. Without objection, the Clerk will again report the amendment offered by the gentleman from Ohio [Mr. CLEVELER].

There was no objection.

The Clerk read as follows:

Amendment offered by Mr. CLEVELER: On page 30, line 80, strike out "\$23,000,000" and insert "\$40,000,000."

The SPEAKER. The question is on the amendment.

The question was taken; and on a division there were—ayes 88, noes 24.

Mr. ROONEY. Mr. Speaker, I object to the vote on the ground a quorum is not present, and make the point of order that a quorum is not present.

The SPEAKER. Obviously a quorum is not present.

The Doorkeeper will close the doors, the Sergeant at Arms will notify absent Members, and the Clerk will call the roll.

The question was taken; and there were—ayes 265, nays 105, not voting 64, as follows:

[Roll No. 25]

YEAS—265

Abernethy	Frazier	Oakman
Adair	Frelinghuysen	O'Brien, Mich.
Albert	Fulton	O'Brien, N. Y.
Allen, Calif.	Gathings	O'Hara, Minn.
Allen, Ill.	Gavin	Osmers
Andresen,	George	Ostertag
H. Carl	Golden	Passman
Andresen,	Goodwin	Patman
August H.	Graham	Patterson
Andrews	Grant	Pelly
Angell	Gubser	Pfost
Arends	Hale	Phillips
Aspinall	Haley	Pilcher
Auchincloss	Halleck	Poff
Baker	Hand	Preston
Bates	Harden	Priest
Beamer	Harris	Prouty
Becker	Harrison, Nebr.	Radwan
Belcher	Harrison, Wyo.	Ray
Bennett, Fla.	Harvey	Rayburn
Bennett, Mich.	Hays, Ark.	Reams
Bentsen	Hébert	Reece, Tenn.
Berry	Hess	Reed, N. Y.
Betts	Hiestand	Regan
Bishop	Hill	Rhodes, Ariz.
Blatnik	Hillelson	Richards
Boggs	Hillings	Riehlman
Bolling	Hinsaw	Robison, Ky.
Bolton	Hoeven	Rogers, Colo.
Frances P.	Hoffman, Mich.	Rogers, Mass.
Bolton,	Holmes	Rogers, Tex.
Oliver P.	Holt	Sadlak
Bonin	Hope	St. George
Bosch	Horan	Saylor
Bow	Hosmer	Schenck
Boykin	Howell	Scherer
Bramblett	Hruska	Scott
Bray	Hunter	Scrivner
Brooks, La.	Hyde	Scudder
Brooks, Tex.	Ikard	Secrest
Brown, Ga.	Jarman	Selden
Brown, Ohio	Jenkins	Shafer
Brownson	Johnson, Calif.	Sheehan
Broyhill	Jonas, Ill.	Shelley
Burdick	Jones, Ala.	Sheppard
Burleson	Jones, Mo.	Short
Busbey	Kersten, Wis.	Simpson, Ill.
Bush	Kilburn	Simpson, Pa.
Byrd	Kilday	Small
Cannon	King, Calif.	Smith, Kans.
Carnahan	Landrum	Smith, Miss.
Carrigg	Latham	Springer
Cederberg	LeCompte	Staggers
Chenoweth	Lipscomb	Stauffer
Chiperfield	Long	Taber
Church	Lovre	Talle
Clevenger	Lucas	Teague
Cole, Mo.	Lyle	Thomas
Cole, N. Y.	McCarthy	Thompson, La.
Condon	McConnell	Thompson,
Cooley	McCormack	Mich.
Coon	McCulloch	Thompson, Tex.
Cooper	McDonough	Thornberry
Corbett	McGregor	Tollefson
Cotton	McIntire	Trimble
Crumpacker	McVey	Utt
Cunningham	Mack, Ill.	Van Pelt
Curtis, Mass.	Mack, Wash.	Van Zandt
Curtis, Mo.	Magnuson	Vinson
Curtis, Nebr.	Mahon	Vorys
Dague	Mailliard	Vursell
Davis, Ga.	Martin, Iowa	Wainwright
Deane	Mason	Walter
Dempsey	Matthews	Warburton
Derounian	Meador	Westland
Devereux	Merrill	Wharton
D'Ewart	Morrow	Wheeler
Dies	Metcalf	Whitten
Dolliver	Miller, Calif.	Wickersham
Dondero	Miller, Kans.	Wigglesworth
Donovan	Miller, Md.	Williams, Miss.
Durham	Miller, Nebr.	Williams, N. Y.
Edmondson	Mills	Willis
Ellsworth	Moss	Wilson, Calif.
Engle	Moulder	Wilson, Ind.
Evins	Natcher	Wolcott
Fenton	Neal	Wolverton
Fernandez	Nelson	Yorty
Fisher	Nicholson	Young
Ford	Norrell	Younger

NAYS—105

Abbitt	Gordon	O'Brien, Ill.
Addonizio	Granahan	O'Hara, Ill.
Alexander	Gregory	O'Konski
Ashmore	Gross	O'Neill
Barden	Hagen, Calif.	Perkins
Barrett	Hardy	Philbin
Boland	Harrison, Va.	Poage
Bonner	Hays, Ohio	Polk
Buchanan	Heller	Powell
Budge	Heseltun	Price
Byrne, Pa.	Holtzman	Rabaut
Byrnes, Wis.	Jackson	Rees, Kans.
Canfield	Javits	Rhodes, Pa.
Carlyle	Johnson, Wis.	Robeson, Va.
Colmer	Jonas, N. C.	Rodino
Cretella	Jones, N. C.	Rogers, Fla.
Crosser	Karsten, Mo.	Rooney
Davis, Wis.	Kean	Roosevelt
Dawson, Utah	Keating	Shuford
Delaney	Kee	Sikes
Dodd	Kelley, Pa.	Smith, Va.
Dollinger	Kelly, N. Y.	Smith, Wis.
Donohue	Kirwan	Spence
Dorn, N. Y.	Kluczynski	Steed
Dowdy	Laird	Sullivan
Doyle	Lane	Tuck
Eberharter	Lesinski	Velde
Feighan	McMillan	Watts
Fogarty	Machrowicz	Widnall
Forand	Madden	Wier
Fountain	Marshall	Wilson, Tex.
Friedel	Morgan	Winstead
Garmatz	Multer	Withrow
Gary	Murray	Yates
Gentry	Norblad	Zablocki

NOT VOTING—64

Ayres	Fino	Miller, N. Y.
Bailey	Forrester	Mollohan
Battle	Gamble	Morano
Bender	Green	Morrison
Bentley	Gwinn	Mumma
Bowler	Hagen, Minn.	Patten
Buckley	Hart	Pillion
Camp	Herlong	Rains
Campbell	Hoffman, Ill.	Reed, Ill.
Celler	Holifield	Riley
Chatham	James	Rivers
Chelf	Jensen	Roberts
Chudoff	Judd	Seely-Brown
Clardy	Kearney	Sieminski
Coudert	Kearns	Stringfellow
Davis, Tenn.	Keogh	Sutton
Dawson, Ill.	King, Pa.	Taylor
Dingell	Klein	Wampler
Dorn, S. C.	Knox	Weichel
Elliott	Krueger	Williams, N. J.
Fallon	Lanham	
Fine	Lantaff	

So the amendment was agreed to.

The Clerk announced the following pairs:

On this vote:

Mr. Camp for, with Mr. Keogh against.
Mr. Forrester for, with Mr. Klein against.
Mr. Mollohan for, with Mr. Celler against.
Mr. Patten for, with Mr. Fine against.
Mr. Fino for, with Mr. Bailey against.
Mr. Gwinn for, with Mr. Bowler against.
Mr. Judd for, with Mr. Dawson of Illinois against.
Mr. Hoffman of Illinois for, with Mr. Chudoff against.
Mr. Ayres for, with Mr. Green against.
Mr. Kearns for, with Mr. Dingell against.
Mr. Morrison for, with Mr. Hart against.
Mr. Coudert for, with Mr. Herlong against.
Mr. Taylor for, with Mr. Holifield against.
Mr. Mumma for, with Mr. Campbell against.

Mr. James for, with Mr. Lantaff against.
Mr. Rains for, with Mr. Sieminski against.
Mr. Elliott for, with Mr. Buckley against.

Until further notice:

Mr. Kearney with Mr. Battle.
Mr. King of Pennsylvania with Mr. Riley.
Mr. Hagen of Minnesota with Mr. Chelf.
Mr. Gamble with Mr. Rivers.
Mr. Miller of New York with Mr. Sutton.
Mr. Stringfellow with Mr. Williams of New Jersey.
Mr. Seely-Brown with Mr. Roberts.
Mr. Bentley with Mr. Fallon.

Mr. Reed of Illinois with Mr. Davis of Tennessee.

Mr. Jensen with Mr. Dorn of South Carolina.

Mr. Shafer with Mr. Lanham.

Mr. HALE changed his vote from "no" to "aye."

The result of the vote was announced as above recorded.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER. The question is on the passage of the bill.

The bill was passed, and a motion to reconsider was laid on the table.

JOHN SOUDAS

The SPEAKER laid before the House the following request from the Senate:

Ordered, That the House of Representatives be requested to return to the Senate the engrossed bill (S. 1138) entitled "An act for the relief of John Soudas."

The SPEAKER. Without objection, the request of the Senate will be complied with.

There was no objection.

INCREASING THE BORROWING AUTHORITY OF THE COMMODITY CREDIT CORPORATION

Mr. CHENOWETH. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 459 and ask for its immediate consideration.

The Clerk read as follows:

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H. R. 7339) to increase the borrowing power of Commodity Credit Corporation. After general debate, which shall be confined to the bill, and shall continue not to exceed 2 hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Banking and Currency, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

Mr. CHENOWETH. Mr. Speaker, I yield 30 minutes to the gentleman from Virginia [Mr. SMITH]. I yield myself such time as I may require.

Mr. Speaker, this resolution makes in order the consideration of House bill 7339, a bill to increase the borrowing power of the Commodity Credit Corporation. It would give the Commodity Credit Corporation authority to borrow up to \$8,500,000,000, which is an increase of \$1¼ billion over its present authority.

This is an open rule providing for 2 hours' general debate, the time to be controlled equally by the chairman of the Committee on Banking and Currency and the ranking minority member thereof.

I am advised that this bill was re-

ported unanimously by the committee. The committee adopted an amendment making the provisions of the bill effective immediately. This action was based upon the testimony of the Secretary of Agriculture, who testified that this legislation is needed at this time in order that the Corporation may continue its operations between now and July 1.

I will not go into further details in this brief statement. I am for this legislation and I hope the rule will be adopted.

(Mr. CHENOWETH asked and was given permission to revise and extend his remarks.)

Mr. SMITH of Virginia. Mr. Speaker, I have no requests for time on this side.

Mr. CHENOWETH. Mr. Speaker, I yield 1 minute to the gentleman from New York [Mr. JAVITS].

Mr. JAVITS. Mr. Speaker, I want to point out, there being many more Members on the floor at the present time than there may be later on, that it is my intention, and I understand the intention of other Members, to discuss this resolution in terms of the whole farm price policy, in terms of the administration program on that policy, and the opposition to it. This authorization of money provided by this bill is intended to implement the present 90 percent fixed farm price support policy.

We had this up the other day in connection with a resolution to cancel certain notes of the Commodity Credit Corporation. But this is the payoff on that proposition and would increase authority of the CCC by \$1¼ billion in addition to what its authority now is in this very field. I thought it would be proper at this time to advise the membership that the whole farm price policy is going to be under debate.

Mr. CHENOWETH. Mr. Speaker, I move the previous question.

The previous question was ordered.

The resolution was agreed to.

Mr. WOLCOTT. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H. R. 7339) to increase the borrowing power of Commodity Credit Corporation.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H. R. 7339, with Mr. CANFIELD in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

Mr. WOLCOTT. Mr. Chairman, I yield myself 5 minutes.

Mr. Chairman, this bill simply implements the farm support program which is set forth in other legislation. At the present time the Commodity Credit Corporation, taking into consideration the moneys which we made available to it lately by writing off some of their obligations, have left about \$350 million of borrowing authority. The bill provides for an increase in borrowing authority from the present \$6.75 billion to \$8.5 billion. I believe we can assume that as of now this will be sufficient authority to carry them into the next year. We will

not know, of course, with any degree of accuracy, whether it is going to be sufficient until we have some better estimates than we have now on the new crops which will come in later in the summer and in the fall.

Mr. Chairman, this bill is merely to effectuate the farm program as it is now on the statute books. The bill has passed the other body. I might add that because the Commodity Credit Corporation is running out of money, as I said down to about \$350 million of authority at the present time, it was found advisable to suggest as a committee amendment that section 3 of the bill be stricken. This provided that this authority would not be available until July 1 of this year. The demands upon the Corporation have exceeded estimates since the bill was introduced on January 18. This is all pretty well covered in the appropriation bill which was before us in February under which we canceled some of this indebtedness which we had, under our mandate, compelled the CCC to use in respect to the International Wheat Agreement and of the hoof-and-mouth disease program as well as estimated losses under its price support operations.

Mr. SPENCE. Mr. Chairman, I yield such time as he may desire to the gentleman from Ohio [Mr. CROSSER].

[Mr. CROSSER addressed the Committee. His remarks will appear hereafter in the Appendix.]

(Mr. CROSSER asked and was given permission to revise and extend his remarks.)

Mr. SPENCE. Mr. Chairman, I yield 7 minutes to the gentleman from Georgia [Mr. BROWN].

(Mr. BROWN of Georgia asked and was given permission to revise and extend his remarks.)

Mr. BROWN of Georgia. Mr. Chairman, H. R. 7339 provides for an increase of \$1,750,000,000 in the borrowing power of the Commodity Credit Corporation. The Commodity Credit Corporation is perhaps the most important of all the agencies of the United States Government in maintaining the economic health of the Nation, and, of course, particularly of the farmers. It is the financial organization through which are carried out the loans and purchases providing price supports for farmers. It has had a fine record of achievement, before World War II, during the war, and since.

At the present the Corporation has a borrowing power of \$6,750,000,000. This means that we, the Congress, have placed a limit of \$6¾ billion on the amount the Corporation may owe the United States Treasury or banks at any one time. The limit applies to the sum of actual borrowings and obligations on the part of the Corporation to reimburse banks for CCC loans such banks make with their own funds as lending agencies of the Corporation.

Although we placed this limit on the Corporation's financial resources we, the Congress, have by laws which we have passed directed the Corporation to carry out price-support operations for farmers. We have said that the Corporation shall carry out these operations because we recognize clearly the key importance of

a sound and prosperous farm economy to the prosperity of the Nation as a whole. We have recognized the magnificent production job that farmers did for the free world during and after the late war. We have insisted that farmers' incomes be protected during the period of production adjustment that must inevitably follow the high levels attained to meet war and immediate postwar needs.

May I point out that firm contracts were given for industrial production at cost plus a profit to meet the needs of the Nation during World War II and in the emergency since. Not only that, but huge grants were made to get industry to expand. More than \$29 billion in quick tax amortization were granted. We have built up and now have on hand \$129 million worth of military material, but this is not on the domestic market. At the end of World War II industry was granted about \$16 billion for reconversion to keep industrial labor employed.

With a few minor exceptions, there were no grants nor quick tax amortization made to farmers. Nor were firm contracts given for increased agricultural production, and 90 percent of the comparative purchasing power the farmer had in 1909-14 through loans was the usual maximum. Much of such production was held in this country by export restrictions when large profits could have been had from sale on the world markets. With the end of World War II no such payments were made to farmers as were made to industry for reconversion costs.

Mr. Chairman, when the Secretary of Agriculture appeared before our committee he presented a table showing that the cost—not of the program under discussion today but of the entire agricultural program—from 1932 to 1953 was many billion dollars.

But what did he include in that figure? Was the table confined to the price-support program? No, Mr. Chairman. The table included much other material. The evidence he submitted included costs of the program for soil conservation, and conservation of natural resources—work which includes flood control and things of that character. He charged all these costs to agriculture, although the subject before our committee dealt solely with price-support programs.

The truth of the matter is that over a span of 20 years from October 17, 1933, to December 31, 1953, the losses suffered in connection with the price-support program for basic commodities—cotton, corn, wheat, rice, peanuts, and tobacco—were only about \$63 million. By supporting cotton the Government experienced a profit of \$268 million. Tobacco netted a profit of about \$1,600,000. Relatively small losses, considering the size of the programs, were experienced on corn and wheat.

The large losses experienced by the Commodity Credit Corporation in its price-support program have been experienced on supporting the nonbasic commodities. As of December 31, 1953, the loss on nonbasic commodities was approximately \$1,100,000,000. Almost half a billion dollars was lost in supporting

Irish potatoes. This is a program on which I always had a great deal of reservation.

As you know, this program was terminated several years ago. The price supports on eggs cost the Government almost \$200 million. Eggs are no longer being purchased. During the war as an emergency wartime program the Commodity Credit Corporation undertook to stimulate production of flax in order to assure this country of an adequate supply of linseed oil. The cost of this program amounted to approximately \$75 million. I believe that the results of the flax program justified this expenditure.

Now, Mr. Chairman, I should like to address my remarks to some of my urban colleagues who have been critical of the price-support program. For the past 3 years the American farmer has experienced a steady decline in income. In 1953 net farm income was about 7.5 percent below that of 1952. The welfare of the American economy is directly related to the prosperity of the American farmer. Throughout our history economic downturns in our economy have first appeared upon the farm. Once again I feel we may be retracing this tragic pattern. Industrial production as measured by the Federal Reserve Board index declined from 137 in July 1953 to 125 in January 1954. At the present time, unemployment is about 3,500,000. Much of this business decline and unemployment is centered in industries which must depend on the farmers for a substantial percentage of their market. In light of these facts, I believe that it would be exceedingly shortsighted for members from city districts to vote to end mandatory price supports. I feel that the Secretary of Agriculture's stand against mandatory price supports is exceedingly unwise. I am very happy, therefore, that the Joint Committee on the Economic Report has taken a firm stand against the abandonment of mandatory price supports.

I should like to close my remarks by quoting from the report of the Joint Committee on the Economic Report:

Whatever the merits of flexible supports and modern parity may or may not be as a long-run program it is questionable whether their contribution at this time will act to sustain farm income in the months immediately ahead when the threat to our economic stability is so generally recognized. On the contrary, it seems more likely that the proposed shift to modernized parity at this particular time would be an unnecessary disrupting factor.

Mr. WOLCOTT. Mr. Chairman, I have no further requests for time on this side.

Mr. SPENCE. Mr. Chairman, I yield such time as he may desire to the gentleman from North Carolina [Mr. DEANE].

(Mr. DEANE asked and was given permission to revise and extend his remarks.)

Mr. DEANE. Mr. Chairman, during the course of the hearings on this bill to increase the borrowing power of the Commodity Credit Corporation, I directed certain questions to the Secretary of Agriculture which in the light of the

debate today are I think significant and at this point I submit the following questions directed to Mr. Benson and his replies:

The CHAIRMAN. Mr. DEANE.

Mr. DEANE. Mr. Chairman, I want to express to the Secretary my appreciation for his willingness to come back. I am mindful of the terrific pressure all of us operate under these days, and I wonder if because of that pressure we have poor legislation, we simply don't have time to reason together on what is right. Mr. Secretary, what is the need for price support, if there isn't a surplus?

Secretary BENSON. I didn't get the last phrase.

Mr. DEANE. I say, what is the need for price support, unless we do have a surplus?

Secretary BENSON. I appreciate, very much, Mr. DEANE, your kind remarks. I would like to say that the President, sensing the importance of the legislation that is being considered here this morning, granted me permission to leave the Cabinet meeting, after the most pressing matters had been disposed of. I am sorry I couldn't be here earlier.

It is my personal feeling, Mr. DEANE, that the agricultural industry has been geared up to an industrial economy, and operates on a much different basis than it did a generation or so ago, is influenced much more by market fluctuations in prices, up and down movements, and the operation is more hazardous than it was at another time, possibly.

Therefore, price supports can be used and used effectively to give some protection, by placing floors under farm prices to prevent undue fluctuations. Particularly is that true in the case of commodities that are storable, where they can be carried over from one year to the next, to level out the up and down swings.

Mr. DEANE. In other words, I gain, from your answer, that there is a need for, and there must be price supports?

Secretary BENSON. Well, I don't know that there must be, but it seems to me that they have a place, particularly in the storable commodities and to a lesser extent, possibly, in some of the semiperishable commodities, providing there is some flexibility and some discretion in their use.

Mr. DEANE. I have heard many definitions of parity. Would you agree on this definition: "That parity is a standard for measuring prices of farm products, in relation to prices paid by farmers for things they buy?"

Secretary BENSON. I think that is a very good definition, Mr. DEANE.

Mr. DEANE. What is the present drop in prices to the farmer, covering the things he is having to buy?

Secretary BENSON. Do you mean the index of the things he uses in production?

Mr. DEANE. Yes.

Secretary BENSON. I don't know that I could give you the exact figure. Perhaps Mr. Morse can give it to you. He has been dealing with some of these figures more recently.

Mr. MORSE. Following Korea—

Mr. DEANE. Let's take wheat, for example. Let's take the machinery, fertilizer, and various elements that go into the things that the farmer must purchase to produce wheat. What is the variation in price now, as compared with months ago?

Mr. MORSE. These costs of farmers—

Mr. DEANE. I am thinking now of a wheat farmer.

Mr. MORSE. Well, that would apply to wheat farmers. The costs tend to remain up after a period of inflation.

Mr. DEANE. Do you have figures that you could give?

Mr. MORSE. The effective measurement is in this parity ratio, which, following Korea, started down, from 113 in February 1951—100 presumably being in balance. Last January, a year ago, when Secretary Benson came into

office, it had reached 94. The decline during the previous year had been 10 points. It went on down from 94 to 90 in November. It has since recovered 2 points, so that it stands now, as compared with a year ago, down 2 points in the year, against a 10-point decline the previous year.

That is the overall measurement of the position of the farmer, and what has happened to him in these recent years.

Mr. DEANE. That will apply to the wheat farmer, the cotton farmer, and the dairy farmer?

Mr. MORSE. It will apply broadly to farmers, because they are all purchasers of fertilizer, machinery, gas, oil, insecticides, chemicals, and all the things that enter into farming.

(The following data was submitted by Mr. DEANE, at p. 91.)

[1910-14=100]

Period	Prices paid for items used in		Parity index (prices paid, interest, taxes, and wage rates)	Prices received by farmers	Parity ratio ¹
	Living	Production			
1939 monthly average...	120	121	123	95	77
1942 monthly average...	149	148	152	159	105
1944 monthly average...	175	173	182	² 197	108
1946 monthly average...	202	191	208	² 236	113
1948 monthly average...	251	250	260	287	110
1949 monthly average...	243	238	251	250	100
1950 monthly average...	246	246	256	258	101
June 15.....	243	247	255	249	98
1951 monthly average...	268	273	282	302	107
1952 monthly average...	271	274	287	288	100
1953 monthly average...	270	253	279	258	92
1952—Dec. 15.....	269	264	281	268	95
1953—Jan. 15.....	268	265	284	268	94
Feb. 15.....	266	261	281	264	94
Mar. 15.....	269	261	282	264	94
Apr. 15.....	269	257	280	259	92
May 15.....	270	257	280	263	94
June 15.....	271	248	277	257	93
July 15.....	271	250	279	260	93
Aug. 15.....	273	249	279	255	91
Sept. 15.....	270	247	277	257	93
Oct. 15.....	270	246	276	249	90
Nov. 15.....	270	248	277	249	90
Dec. 15.....	270	250	278	254	91
1954—Jan. 15.....	271	254	282	259	92

¹ Ratio of index of prices received by farmers to parity index.

² Includes wartime subsidy payments paid on beef cattle, sheep, lambs, milk, and butterfat between October 1943 and June 1946.

Source: Department of Agriculture.

Mr. DEANE. What is the average annual income of a farmer?

Mr. MORSE. Could we supply that and have it right, sir?

"The total income per farm operator in 1953 was \$2,212."

Mr. DEANE. I notice, Mr. Secretary, in a speech you made in New York Monday night, that you say it represented about 5 percent of the national income.

Secretary BENSON. Yes, in round figures, I think that is the figure I used. The farm population represents in round figures about 15 percent of the population, but the percentage of the national income which is coming to farmers from farming is around 5 percent.

Mr. DEANE. How does that compare, do you think, with what he deserves?

Secretary BENSON. Well, I don't think it is enough, certainly.

Mr. DEANE. And if there hadn't been price support, do you think that percentage figure would be up or down?

Secretary BENSON. Well, that would require considerable analysis with respect to various commodities. You see, we have 90 percent supports on some of the basic commodities now, but that doesn't necessarily mean that the farmer will get that.

As an example, corn is being supported at 90 percent, but the average price to the farmer at the present time is only 79 percent of parity, and I think that one of the charts that was attached to the statement yesterday indicated that over the 20-year period, the prices of unsupported commodities had averaged about along the same line with the supported commodities, if not a little higher.

But there are times, certainly, when supports can be used effectively to prevent market declines, by the Government providing a floor, and by the storing of commodities. However, that cannot go on indefinitely if great surpluses accumulate. Eventually, the price level will go down regardless of what the support level is, and we are facing that situation now in the case of wheat. We are scouring the country to try to get enough storage space for wheat, and I don't know what we will do next year if we should get better than normal yields.

Of course, we never know what the yields will be. We can't predict those. But it looks as though we will have a carryover of something over 800 million bushels, which is enough for a year's supply without any production next year. So you reach a point, if supports are maintained at a rigid, high level, when the inducement of those supports brings in new land, stimulates heavy production, and you may reach the point when eventually the program will collapse of its own weight, unless something is done to move the crops into consumption.

Mr. DEANE. I am coming to that in a moment. Before you came in Mr. BROWN was directing a question, or brought out the fact that he was concerned about the word "loss" being used so frequently in connection with the price-support program. It has given me a great deal of concern. I see the word "losses" appearing a number of times in your statement, and I certainly want to recognize the fact, if it is a loss, but I fear we are creating in the minds of the non-farm group the feeling that the farmer has become the ward of the Government.

You don't think he has, do you?

Secretary BENSON. Well, no; of course I don't.

Mr. DEANE. You don't.

Secretary BENSON. I don't want him to become the ward of the Government, either.

Mr. DEANE. The figures given us would indicate that if the price-support program reflects a loss for the years 1933-53 its total for all commodities for 20 years is \$1,226 million. I wonder if the nonfarm group realizes the fact, and I wonder if you use this figure occasionally; that since the end of World War II, industry was granted approximately \$16 billion for reconversion from war to peace to keep industrial labor employed. Keep in mind this \$16 billion for industry and labor, and \$1 billion for this 20-year period, for the farmers. We need to remind all our people of the millions and millions of dollars that were involved in firm contracts for industrial production on a cost-plus basis. What I am saying is not intended to array one group against the other.

Secretary BENSON. I understand that.

Mr. DEANE. We need to impress upon the minds of the thinking public, through the press, that the farmer has not become a ward of the Government when you consider these enormous millions and billions of dollars paid to industry.

I carry it a step further: Within recent years, \$29 billion has been given to industry in the form of quick tax amortization. Something was said a moment ago, I believe by Mr. Morse, that quick amortizations have been given to encourage the construction of storage facilities. I don't know whether the farmer figures in that amortization program for a storage bin.

Secretary BENSON. Yes, sir; he does.

Mr. DEANE. If he does, I am glad to know that. And also, in the President's state of the Union message, he had something like this to say, that a proposal or suggestion that business firms would be permitted to deprecate their capital expenditures, at a notably faster rate than has been previously allowed, without special Government permission.

Taking an additional step, when you think about the so-called loss under the farm price-support program, I fear that we are forgetting the facts as to what we have honestly done for business.

Mr. Secretary, in your statement, on page 8, you say: "We recognize the need for Federal aid to agriculture on a very broad scale when it becomes necessary."

I wonder if you would mind elaborating, Mr. Secretary, on what you mean by "on a very broad scale"?

Secretary BENSON. May I say, first, Mr. DEANE, that several times, in public addresses, I have referred to the fact that agriculture is certainly not the only segment of our economy that has received subsidy or other assistance from the Federal Government, and I have pointed out some of these other groups.

I think there is justification for the Government going quite a long way during an emergency period, particularly, to induce the type of industrial production, or the type of farm production which is needed to meet a great emergency, and, of course, that was the reason why the high rigid price supports were established. That was the principle argument used.

But there is often a tendency to continue emergency measures after the emergency ends and, of course, our agriculture has become great and efficient not because of subsidies, but because the farmer has had a maximum of freedom to use the facilities at hand in keeping with his very best judgment and in keeping with good farm-management practices.

Now, there have been many things—when I say "broadly" I include much of the work, practically all of the work that is being done, for example, by the United States Department of Agriculture, and by the land-grant colleges, through the experiment stations and the extension services, and what is being done in the field of conservation, REA, and the various other agencies. This matter of price support is only a part of the overall program for agriculture.

Sometimes I think it is emphasized beyond its importance, relative importance, at least, to the farmer.

Mr. DEANE. Right along that line, on page 1126 of the President's budget, among the so-called aids, I notice "Aids to air navigation" totaling \$80 million.

Ship-operating subsidies, \$91 million.

Navigation aids to Coast Guard, \$138 million.

International aids, economic and technical, \$946 million.

Then I notice, in 1953, current aids and special services, on the bottom of page 1121 of the budget, agriculture, \$305 million, business, \$934 million.

Now, for the new fiscal year there is going to be perhaps a drop in aids to business by some \$300 million in view of the economy moves and the transfers of Post Office obligations to other agencies. But still, agriculture, taking into consideration these things that you have mentioned, is still far under what the business economy is receiving in the form of aids.

Now, I move to this question, and I certainly feel, Mr. Secretary, that you will not feel that I am being partisan, because I really am not. What was the date on which you entered into the purchasing of butter at 90 percent of parity?

Secretary BENSON. The decision, which I made—if that is what you are referring to—as Secretary of Agriculture, was for the marketing year beginning April 1, 1953. That year expires at the end of next month.

Mr. DEANE. Do you have a figure on just what that has amounted to up to the present time?

Secretary BENSON. The total expenditures?

Mr. DEANE. Yes, sir.

Secretary BENSON. We have it here.

Mr. BEACH. The figure on butter, total purchases from April 1, 1953, through February 17 of this year, was 230,060,000 pounds, roughly.

Mr. DEANE. How long can you store that butter safely, without deterioration?

Secretary BENSON. I am not sure that we can answer that accurately because we haven't had very much experience in the storage of butter in Government hands. However, we are trying to watch it very closely, and the best judgments that we can get from those who have had some experience in the trade would indicate that we could probably store it, with a reasonable safety for a period of 1½ to 2 years, under ideal storage conditions.

Mr. DEANE. Well, how much of this butter have you sold on the international market, at competitive world prices?

Secretary BENSON. I don't think there has been any sold on the world market at competitive prices.

Mr. DEANE. I realize that my good friend here from Brooklyn, and his constituents, might have something to say about the fact if you moved into the world market at competitive world prices, at a figure somewhat lower than what his constituents or even mine might pay, but don't you think that that is something that you should seriously think about?

Secretary BENSON. As a matter of fact, it is something we have seriously thought about, Mr. DEANE.

Mr. DEANE. What do you contemplate?

Secretary BENSON. I don't know that we are ready to announce any plan for disposal. We are working on several possible angles. But, of course, we are very anxious to get more of these dairy products moved into consumption here, in many areas where there is a need for greater consumption of these protective foods—dairy products. We think that there is not a great opportunity to move a lot of butter in competition with other countries. Normally we don't export butter. We do export some dried milk, and of course, we hope that we can expand the markets in that field, but normally very little butter moves into export.

Mr. DEANE. In other words, it is your feeling that you wouldn't be able to move any appreciable amount of this butter in the international world market at competitive prices?

Secretary BENSON. Of course, we don't know exactly how much we could move. We might be able to move some. Of course, the fact remains that what has happened, actually, is that butter has been priced out of the domestic market. The dairymen recognize that. They have been rather slow to recognize it, some of them, but I think they generally recognize it now, that it has been priced out of the market in competition with other spreads. As a result butter consumption, domestically, has declined markedly, while competing spreads consumption has increased over the same period.

Mr. DEANE. Let's move to cotton. What was the purpose of the Export-Import Bank?

Secretary BENSON. Well, you probably are in a better position to answer that than I am. I understood it was to help facilitate the financing of foreign trade.

Mr. DEANE. And that policy, or the facilities of the Export-Import Bank, is no longer being fully used.

Secretary BENSON. No longer exists?

Mr. DEANE. That is right. Has it been abolished?

Secretary BENSON. No; I don't think it has been abolished. It still continues. As a matter of fact, we have been working with the bank, as you may know, to provide, for instance, of cotton in foreign ports. We have urged and recommended that.

Mr. DEANE. Well, let's take cotton on the international world competitive price basis. Have you moved any of the cotton onto the world market at competitive prices?

Secretary BENSON. I can't give you the quantity, but we have moved some, and we are moving some right along. I am sure of that. And of course, we hope that we will be able to move more.

As I pointed out yesterday, I think, we did lose part of our world market when we placed a restriction on cotton to the point where we actually placed an embargo on exports.

Mr. DEANE. I know that in the previous administration, and perhaps in this one—and I don't want to array one administration or agency against the other—but I wonder if our State Department, past and present, if they are showing the cooperation that they should in encouraging the Department of Agriculture to get into this competitive world market for our surpluses?

Secretary BENSON. That is a matter of opinion, I presume. We feel that the co-operation is pretty good, and is improving, as we are working with these other agencies, and they come to understand more completely the seriousness of our surplus situation today. I think they have come to recognize that we have got to move part of this into export markets.

Mr. DEANE. This certainly is a program you should seriously consider; especially when the current budget on international aids, economical and technical, is \$946 millions.

Secretary BENSON. Could I comment on that point, first?

Mr. DEANE. Yes.

Secretary BENSON. I have a figure here now that coarse cotton continues as the Nation's most important farm export. In December of this year, the sales of cotton abroad were \$68 million, which indicates that there is quite a lot of it moving in foreign export.

Mr. DEANE. Well, I wonder if that is the reason that the price-support program on cotton shows a decided profit?

Mr. BEACH. The profit on cotton, through December 31, was approximately \$268 million as shown on the books of the Commodity Credit Corporation.

Mr. DEANE. I am glad to have that figure, Mr. Secretary. If we were as aggressive with the other crops as we have been for cotton, perhaps our surplus problem might be different.

Secretary BENSON. Certainly the cotton industry has been very aggressive in promoting its production abroad, and I am sure many of the other producers have also. I am not sure. It is very difficult to measure. But that profit which you refer to was largely due to an increase in price level. It just happened that the Commodity Credit Corporation had huge stocks when the inflationary war period came, and as a result of that, there were some profits realized.

It might have been otherwise, and it may be otherwise today unless we move a lot more of it into consumption than is being done now.

Mr. DEANE. I wonder if Mr. Beach can tell us about section 32 funds. I understand that this section provides for the use of 30 percent of import duties to move farm products in world trade. How many dollars have been used in the last 2 years for that purpose, Mr. Beach?

Mr. BEACH. How many dollars have been used in the last 2 years?

Mr. DEANE. That is right.

Mr. BEACH. I don't have the actual figures here, but my recollection is that in the current fiscal year, and in the most recent fiscal year, a total of something over \$200 million of section 32 funds were used for all purposes.

Secretary BENSON. I might add, Mr. DEANE, that we are using some of those funds now to finance these trade missions that are going into Asia and Europe, and South American countries, to help promote the expansion and the opening up of markets for our surplus farm commodities.

Mr. DEANE. I have this final question, Mr. Chairman, and I certainly have been trying to keep my questions directed to the bill, but I don't see how we can keep from getting somewhat into the flexible price-support program.

Now, if Congress does nothing, so far as legislation is concerned, we will get flexible price support on January 1, 1955, will we not?

Secretary BENSON. Yes, sir; my understanding of the 1948-49 acts, which were passed by overwhelming majorities of both parties, is that they would become operative.

Mr. DEANE. That being true, under the 1948-49 acts, new parity on all crops will be 75 percent.

Secretary BENSON. No; I don't think that is a fair conclusion at all. In the first place, the President has wisely provided setting aside \$2½ billion worth of these surpluses, to be fed out over a period of years, and they would not figure in the calculations which would determine the price-support level. So it is conceivable that the price-support level, after those set-asides, may be near what they are now, and in some cases even higher than now.

I pointed out that in the case of wheat the support level is 90, but the realized price is only 82 percent.

Mr. DEANE. So far as present agriculture legislation, and what you would recommend is concerned, Mr. Secretary, what is the basic difference?

Secretary BENSON. Well, the basic difference is that the 1948-49 legislation would become operative, which was passed, as I indicated, and was looked upon as longtime legislation for peacetime use. That would become operative. The new program would provide for this set-aside which I have mentioned, \$2½ billion.

It would also provide for placing all the commodities on an equal basis as to the use of a modernized parity. It would provide for a transition from the old to the modernized parity, in the case of the 4 basic commodities, still using the old parity, in which there could not be more than 5 percentage point changes in any 1 year. But as to the price level itself, the support level, that would be gaged by a formula which is written in the 1948-49 legislation.

Mr. DEANE. I recall the President's farm message. Had you thought, Mr. Secretary, about using dairy products on the same basis as he recommended for wool?

Secretary BENSON. No; I can't say that we have, because we feel that the legislation which provides for discretionary support levels in dairy products over the years will give the protection and provide the help which the dairy industry will need, and I think it will be found to be quite workable.

Mr. MORSE. May I speak to that question, sir? There are two basic differences that need to be recognized between dairy products and wool. Wool is, first of all, considered a strategic material. Congress has so expressed itself. And, secondly, it is an item where we import over two-thirds of our requirements. Whereas we are producing a great deficit, so far as our domestic requirements are concerned, of wool, we are producing more than we are consuming of dairy products. There are two major differences.

Mr. DEANE. You don't think it would be worthwhile to experiment? Because I would assume that even wool might be worth experimentation.

Mr. MORSE. I would not consider it such. I can assure you that all of these were thoroughly explored in this very extensive process that we went through, in examining what was best for agriculture, in the way of a farm program.

Mr. DEANE. Thank you, Mr. Chairman.

Mr. SPENCE. Mr. Chairman, I yield myself 8 minutes.

Mr. Chairman, the farming industry is fraught with hazard. The farmer assumes the risks of a gambler. When he sows he does not know what he will reap nor the character of his product. In order to keep him on the farm, to keep him engaged in the great industry of feeding our people, we must do what we can to stabilize that industry. There is no way that I know that he can be given assurance that he will get a reasonable price for the products which he produces, except by the support of prices. The great means by which that has been accomplished through the years has been the Commodity Credit Corporation. It has given the farmer assurance that he will not obtain less than a designated price for his crops. That is not an agency that should be criticized by the people of the cities. The city is the market of the farmer, and if you drive the farmer off the farm, he not only ceases to produce the food you need in the cities, but he leaves the farm and goes to the city to try to get the jobs that the city people have. We must have a balanced economy in this country, whereby we will all be successful, or none of us will be successful.

This controversy that has risen between the city people and the farmers has no merit to it. If you give the farmer a starvation price he will not produce, and he will come into competition with the very people who are trying to take this support way from him. I hope that will not be done. I hope you will continue to give him the support and protection he needs. Support is a strong word. I do not know just what "flexible support" is. I know when you raise your hand and you say you will support and defend the Constitution of the United States against all enemies, foreign and domestic, it has a meaning. But if you say, "I will give flexible support," I do not know just what you would mean. I would say the farmer wants assurance of his price. I am no expert on flexible support, but support means rigidity and not flexibility. I want to see the farmer have the assurance that he will get a specified price that he can rely on, that he will know what it will be before he plants his crop, in order that you may give him peace of mind and assurance that he can continue to support himself and his family.

I am heartily in favor of this measure; I am heartily in favor of the objectives sought by the creation of Commodity Credit Corporation. I am, however, going to offer an amendment to compel the Commodity Credit Corporation to sell its obligations to the Treasury of the United States. Only in that way can the Secretary of the Treasury success-

fully maintain the management of our debt and control the interest rates. But that amendment will provide only for the purchase of the obligations they need, for the cash they need, by the Treasury of the United States, and will not have any effect upon the certificates they issue to the banks which are engaged in making Commodity Credit Corporation loans. It will prevent only their going to the big banks which have not participated in the programs and offering their securities to them rather than to the Treasury as they have recently done. I know there was a reason for the Commodity Credit Corporation to ask the banks to form a pool to purchase a billion one hundred million of their debentures and issue certificates of interest against the same, because we were just at the debt limit. If they had gone to the Treasury the Treasury by the issuance of their notes would have increased the debt probably beyond the limit. But it is bad policy to do what was done. All the top officials of the Comptroller General's Office said it was bad policy and that the Commodity Credit Corporation ought to finance its obligations in the Treasury of the United States.

This amendment will not affect a single program; it will not tie their hands in any way; it will not impair the usefulness or the activities of country banks. Those banks which are now engaged in the program who are now lending to farmers on the credit of a Commodity Credit Corporation loan will continue to do as they have been doing uncontrolled by this language.

I ask the committee to vote for that amendment when it is offered. It will put the Commodity Credit Corporation on a sounder financial basis. It will make its expenses less and its income more. It will permit it to obtain its money at a lesser rate of interest. It will have an effect upon the interest rates generally throughout the United States and will reduce Government expenses.

Mr. AUGUST H. ANDRESEN. Mr. Chairman, will the gentleman yield?

Mr. SPENCE. I yield.

Mr. AUGUST H. ANDRESEN. I am interested in the gentleman's amendment. Does the gentleman propose to recommend that we also increase the debt limit so that the Treasury can finance these securities?

Mr. SPENCE. I voted to increase the debt limit; so my vote would be quite as important as my recommendation on that matter. But no one in a position to know, no one who has handled these matters thinks that it is sound policy to go to the banks of the country to finance an institution that is owned and controlled by the Government of the United States and whose obligations are guaranteed both as to principal and interest by the United States Government.

Mr. AUGUST H. ANDRESEN. Is that not what they have been doing over a long period of years?

Mr. SPENCE. No. I am not attempting to curtail the activities of those banks that are engaged in the program. They are lending money to the farmer

on the guarantee of the Commodity Credit Corporation.

The CHAIRMAN. The time of the gentleman from Kentucky has expired.

Mr. SPENCE. Mr. Chairman, I yield myself 2 additional minutes.

Mr. Chairman, I want to prevent the Commodity Credit Corporation from going into the money market and borrowing money from the big banks who have no interest in or no association with the Commodity Credit Corporation and the farm program. They cannot have these banks finance them unless they give them an interest rate higher than the going rate. That has been shown recently. And when they do give to the banks a higher interest rate on their obligations, then the going interest rate of Treasury obligations rises with it. Interest is a very sensitive mechanism.

This amendment will not impair the usefulness or lessen the services that the Commodity Credit Corporation can render. It will save them money and put them on a sound financial basis in accordance with the opinion of the Comptroller General and all the officials of his office. They have all said that that was the sound, the safe, and the right way to proceed. We do not want corporations that are entirely governmental corporations going to private enterprise to finance themselves when they could be financed by the Treasury of the United States.

(Mr. H. CARL ANDERSEN asked and was given permission to extend his remarks at this point in the RECORD.)

(Mr. H. CARL ANDERSEN'S remarks will appear hereafter in the Appendix.)

Mr. WOLCOTT. Mr. Chairman, I yield 5 minutes to the gentleman from New York [Mr. JAVITS].

(Mr. JAVITS asked and was given permission to revise and extend his remarks.)

Mr. JAVITS. The effort to depict this piece of legislation as something we have to do because it represents empowering a Government agency to meet its commitments is an understandable one, but I do not think it quite gives us the story or shows us the alternatives, for this is the old question of the hen and the egg.

If any of us believe, and apparently a good many of us do, that the farm price policy of the country has to be changed, and we vote the amount asked here, we are taking the first step to make it possible to continue exactly the present farm price policy because this whole bill is premised on the fact that the 1954 crop will be paid for with price supports at present rates—and that includes butter.

We are told: Well, wait, gentlemen, until the farm price policy comes up. I assure you when that comes up we are likely to be told: What are you fellows talking about? You have taken the step; you have made the decision; you have decided you are going to give the CCC authority to take care of these crops at 90 percent of parity, so we are rearguing something we have already decided.

I think it is only fair to take time by the forelock and to seek to recommit this measure now, because it represents the first step in a series of steps which will

continue the present high fixed farm price parity policy.

Some well-meaning people have said that some effort is being made to pit the city against the country in this debate. I do not think that is right; I do not think it depicts the situation at all, for this reason: If the countryside were doing superbly well with this program, then one could say an effort is being made to pit the countryside against the city people or vice versa. But despite all of the eloquent arguments which are made on the floor about looking after the farmer, the farmer is doing relatively badly under this program. His income this year is down about 13 percent; that is, both net and gross. His export markets have dried up to a material extent, and perhaps the most significant indication of what is happening to the farmer is that in the 5 months ending December 31, 1953, \$2.5 billion of these price supports were used in only 5 months, and that is 3 times the rate of use of these funds of the years 1948 and 1949.

Now, these surpluses are piling up and up and up, and why? Because the farmer is being insulated almost completely—many other segments of the country are insulated in part; it is all a quantitative question—but the farmer is being insulated practically completely from the supply and demand factors of the open market. Now, that is destroying not the city dweller, but it is threatening to destroy the farmer. It is for the very reason that people like myself believe that a flourishing agriculture requires the change of this program. We know that the arguments of people who represent farm areas are necessarily directly affected by that fact, and we have therefore repeatedly raised this question; we may be wrong, but we have repeatedly raised this question about maintaining this program at this level and asked these facts. So, I think it is our duty to raise and argue them.

Mr. GROSS. Mr. Chairman, if the gentleman will yield, what is the gentleman's farm program?

Mr. JAVITS. All right, I am going to give it to the gentleman. I explained it once before in the preceding debate upon this very question, and I would like to do it again.

As I see the farm program, it involves the following three parts. You cannot speak of adopting the President's program in part, that is, just adopting the flexible farm price parity plan proposed. You have to consider adopting the President's policy in whole. That is the only way you can make progress with the program.

First, it includes the effort to improve and liberalize foreign trade and the open markets.

Second, it includes an effort to dispose of farm surpluses as an element in the foreign policy of the United States. This is very essential, because many free peoples are trying to get on an industrial basis but in the meantime have a food deficit, and our food surplus can be used materially to help in that situation.

Third, to put a concrete base under the farmer in the economic field through

the improvement of the social-security system, improvement in unemployment insurance, and help in the housing and health situations. All that helps the ability of all our people to buy food. Therefore, on the basis of the whole administration program to put into effect a flexible price support farm policy which will, for the first time in recent years, adjust the farmer to some extent to the supply and demand position of the open market.

That is my program and my farm price policy. I think it is sound and just. That is why I am for recommitment of this bill. This will enable the committee in charge to recompute what is needed only on the basis of the administration's recommended flexible farm price parity support program.

Mr. SPENCE. Mr. Chairman, I yield 12 minutes to the gentleman from New York [Mr. MULTER].

(Mr. MULTER asked and was given permission to revise and extend his remarks.)

Mr. MULTER. Mr. Chairman, this very simple matter of merely extending the authorization from \$6.75 billion to \$8.5 billion does present much more serious problems than just increasing the amount of the authorization by \$1.75 billion. As the gentleman from New York [Mr. JAVITS] has just indicated, it does bring before you the entire problem. I doubt whether we will have time today to discuss the whole program. There are, as indicated by the gentleman from Kentucky [Mr. SPENCE], very serious matters of maladministration of the program which have been brought to your attention and which he will try to remedy by an amendment which he will offer.

Mr. Chairman, I want to spend a few moments first in talking about the program itself. As a Member representative of city areas who has supported the farm program not only vocally but with every vote he has ever cast on the subject, I think I have a right to call to your attention that the program is not working out with fairness to all concerned. It is not working out fairly to the farmer and it is certainly working most unfairly to the city man.

Let me quote to you very briefly from the testimony given to our committee by the Secretary of Agriculture, Mr. Benson, in support of this bill:

The current situation calls for a new evaluation of the farm problem. We recognize the need for Federal aid to agriculture on a very broad scale when it becomes necessary. But the cost of the program is reaching such proportions that we must insist upon value received for these expenditures—upon getting the dollars into the pockets of farmers who need them.

I suggest an amendment to that statement by adding these words after his words "upon getting the dollars into the pockets of the farmers who need them" and upon getting the dollars into the pockets of all of our taxpayers who are entitled to them."

We from the city are willing to pay our share of the taxes to support this farm program but we are not willing to pay twice for the same commodity. That is

what we are being asked to do under this farm program which Mr. Benson tells you needs re-evaluation.

Secretary Benson has adopted the Brannan plan as applied to wool. He tells you it is a good plan and should be adopted with reference to wool. In doing so, the city man says "Good luck to you; it is a good program," because under that program Mr. Benson tells us, and the city men go along with you and tell you, too, that then we will pay for the wool only once, then the wool will go out into the market, the price will find its level in accordance with the law of supply and demand, and the city consumer and the farm consumer will not pay for it a second time in the high price.

When it comes to the dairy products and all the other products we are told there is a difference. Neither the Secretary of Agriculture, Mr. Benson, nor anyone else can point out the distinction. For instance, in butter, he tells us butter is priced out of the market, and that is why it is not being sold. It is being stored in the warehouses instead. He fails to account to us for the increase in butter in storage to double what it was a year ago. When it was selling on the retail market at 80 cents we stored 140 million pounds. When it is selling at 75 cents we store 280 million pounds.

The National Milk Producers Federation which I understand is a respectable organization and represents the milk producers' view, came forward with a plan and indicated to Mr. Benson what he should do with these dairy products, support the price to the farmer so he will get his fair share and get parity and be able to maintain a decent living standard. After doing that, let it go out into the market and your price then will drop to 40 cents a pound, and we city folk will buy your butter and we will not have to pay for it twice, as we are now required to do.

Let me pass on to another subject very briefly. Spring is coming. Summer cottages will probably be preferred to mink coats. So let me point out that last year the Congress cut the research program for milk by some \$30,000, which was to be used to find out what we could do with these dairy products and how you could help the farmer and the city folks too, the Secretary recommended it and the Congress struck out the \$30,000 for research in milk. Subsequently Secretary Benson used \$2,000 from the animal research appropriation to fix up a Government-owned country cottage for his own use. Well, I am glad that mink coats have now given way to country cottages.

Mr. AUGUST H. ANDRESEN. Mr. Chairman, will the gentleman yield?

Mr. MULTER. I yield.

Mr. AUGUST H. ANDRESEN. Did I understand the gentleman to say that the Secretary used \$2,000 out of the research program to fix up a cottage?

Mr. MULTER. Yes, sir; \$2,018 out of the animal research funds.

Mr. AUGUST H. ANDRESEN. I think the gentleman had better investigate a little further before he makes that kind of statement.

Mr. MULTER. That comes within the jurisdiction of your committee. Suppose your committee looks into it and asks him to explain it when he comes before your committee.

Mr. AUGUST H. ANDRESEN. We will give you a chance to come before our committee if you would like to do so to prove it.

Mr. MULTER. I have made the charge. I will give your committee the information, and I suggest that you ask the Secretary to explain it when he comes before your committee.

Mr. AUGUST H. ANDRESEN. I think the gentleman's ideas are quite farfetched.

Mr. MULTER. They may be farfetched, but ask Secretary Benson, and if it is wrong and he tells you that is wrong, I will apologize on this floor to him.

Mr. AUGUST H. ANDRESEN. Mr. Chairman, will the gentleman yield?

Mr. MULTER. I yield.

Mr. AUGUST H. ANDRESEN. Did the gentleman ask him when he was before your committee?

Mr. MULTER. I did not have the information at that time or I certainly would have asked him the question. And if you will let me know when you intend to propound the question to him before your committee, I will be glad to appear there and apologize there to him if he can satisfactorily explain the item.

Now, Mr. Chairman, let us pass to another item. This is not an item involving \$2,018. This is a matter involving \$1,160,000 of funds which Secretary Benson borrowed to run this program. Under existing law, we authorized \$6,750,000,000 and from time to time we have given additional moneys to the program by canceling their indebtedness. That was legally done because the Congress decided that was the way to do it, and they did it. Do not think that this program is going to stop at \$8,500,000,000, if you pass this bill today. Secretary Benson has already warned us, as has President Eisenhower in his farm message, that he is going to ask that the commodities now stored to the extent of \$2,500,000,000 be set aside and be taken out of the \$8,500,000,000 so that you will still have \$8,500,000,000 to use in addition to the \$2,500,000,000 of the commodities that are now stored. So this is an \$11 billion program. But let us talk about how he is operating the program as of now. At the present time the law specifically provides that the Commodity Credit Corporation shall borrow no money except with the formal approval of the Department of the Treasury, obtained in advance upon such terms and conditions as approved by the Department of the Treasury, and all such obligations shall be fully and unconditionally guaranteed both as to interest and principal by the United States, and such a legend shall be endorsed upon every such obligation. In October, November of 1953 and January 1954, this program borrowed \$1,160,000,000 and the Secretary of the Treasury assumed his part of the blame for this fiscal procedure because he was consulted about it and the record shows that he acquiesced in it, although he gave no formal approval

in advance as required by law. The money was borrowed by the CCC issuing certificates of interest without any Government guaranty and without any legend to that effect on their face, and they were issued as follows: \$360 million on October 14, 1953, at 2½ percent interest; \$450 million on December 7, 1953, at 2¼ percent interest; \$350 million more on January 15, 1954, at 2½ percent interest—total borrowing \$1,160,000,000. Do not let anybody try to kid you and tell you that these certificates of interest are not borrowings or are not loans to the Commodity Credit Corporation because if you will look in the report on this bill in the other body and if you will look in the report of our committee of the House of Representatives on this bill you will find that that \$1,160,000,000 is listed as borrowings by the Commodity Credit Corporation for this very purpose—for running this program.

At the time the Secretary of the Treasury approved, and the Secretary of Agriculture was borrowing this \$1,160,000,000—and these are demand obligations. They carry a maturity date, but they provide that they are payable on demand, and any time anybody wants the money, he goes to the Commodity Credit Corporation and demands his money and gets it, with full interest. So these demand obligations, issued at these high rates of interest, were issued at the very time that the Secretary of the Treasury was borrowing short-term money at 1½ percent and less; call money, commercial call money, demand money for commercial loans, without any Government guaranties, without any Government corporate guaranties were at this time paying only 2 percent. The cost to our United States Government and to our taxpayers for this \$1,160,000,000 is in excess of \$106 million.

At the time that these certificates of interest were issued to borrow this money, the very bankers who bought the certificates, turned back to the United States Treasury treasury notes that were paying 1½ percent and less interest, and took instead these 2¼ percent and 2½ percent certificates which provided the money with which to carry on this program.

I am not saying and I do not intimate or infer that we should not carry on the program. Let us meet that issue when the program comes before us. The law is that this program shall be financed through the United States Treasury. But let us not soak the taxpayer more interest than he should pay. When you can borrow at 1½ percent and less, there is no excuse for borrowing at 2½ percent.

Mr. AUGUST H. ANDRESEN. Mr. Chairman, will the gentleman yield?

Mr. MULTER. I yield to the gentleman from Minnesota.

Mr. AUGUST H. ANDRESEN. In spite of the criticism which the gentleman has offered, this bill was unanimously reported by his committee, was it not?

Mr. MULTER. It was unanimously reported by the committee, after the committee had rejected the amendment of the gentleman from Kentucky [Mr. SPENCE] to correct the situation that I am talking about. He will offer his

amendment here again. The gentlemen on our committee do not want to stymie the program, but they want to correct its administration. They want to see to it that the program is carried out in accordance with the law. If the law is wrong, let us change it. If you want this Corporation and the Secretary of Agriculture to borrow money at high rates, if you want more inflation, if you want a greater cost to the farmer and a higher cost to the taxpayer, then let us stop talking about economy and write into the law permission to do these things. The law now prohibits it. The Secretaries of Agriculture and Treasury have gone outside the law and violated the law.

The amendment that the gentleman from Kentucky [Mr. SPENCE] will offer will seek to keep him within the law. If the gentleman doubts what I say on the subject, I refer him to all the debates on this question through the years since we brought this program into being.

Mr. EBERHARTER. Mr. Chairman, will the gentleman yield to me?

Mr. MULTER. I yield to the gentleman from Pennsylvania.

Mr. EBERHARTER. Does the gentleman know of any other Government operations being carried on in this respect? In other words, the people who buy these loan certificates certainly are relying upon the Federal Government to make them good when that becomes necessary, yet the amount of the loans is not carried as part of the debt of the country. Is that the situation?

Mr. MULTER. That is precisely the situation.

Mr. EBERHARTER. So this is a sort of a hoax being perpetrated upon the people of the country, because this does not show as an obligation of the United States Government. If they carry on financial operations in that way, we cannot rely upon the budget figures on the question as to whether or not it is necessary to increase the limit of the debt. That follows, too, does it not?

Mr. MULTER. Yes, it does.

Mr. EBERHARTER. I thank the gentleman.

Mr. McCARTHY. Mr. Chairman, will the gentleman yield?

Mr. MULTER. I yield to the gentleman from Minnesota.

Mr. McCARTHY. I think the record should show, too, that this 2½ percent interest rate, the rate on the first issue of certificates, was determined in July?

Mr. MULTER. That is right.

Mr. McCARTHY. And the certificates were not issued until October?

Mr. MULTER. That is correct.

Mr. McCARTHY. In that period of time, according to the testimony of the Commodity Credit Corporation, when the rate of 2½ percent was set in July, Treasury 9-to-12-month obligations carried on interest rate of about 2.4 percent.

Mr. MULTER. That is right.

Mr. McCARTHY. The Treasury and the Commodity Credit met in July and determined on a rate of 2½ percent. At that time the rate on Treasury 9- to 12-month obligations was about 2.4 percent. In October when the certificates of interest were issued at 2.5 percent the rate

on Treasury 9- to 12-month obligations had dropped to about 1.7 percent.

Mr. MULTER. The gentleman is right, but at the same time we must not overlook the fact that these were demand obligations, and demand obligations always carry a lower rate of interest than short-term notes or long-term notes, or bonds, or obligations.

Mr. MCCARTHY. That is correct. When we asked why the interest rate on the certificates of interest had not been lowered at the time they were issued in October we received no satisfactory answer.

Mr. MULTER. Again the gentleman is correct.

Mr. WOLCOTT. Mr. Chairman, I yield 5 minutes to the gentleman from Massachusetts [Mr. HESELTON].

Mr. HESELTON. Mr. Chairman, there are two points with reference to this legislation which I would like to discuss briefly. I realize that it might be said that they are not directly involved in this legislation before us, and I recognize that the Committee on Banking and Currency has no jurisdiction over the existing farm program or whatever it may become.

In the first place, I would like to inquire of the chairman whether or not the justifications presented to the committee were based on the existing farm program rather than on any possible changed program such as has been recommended by the President.

Mr. WOLCOTT. I think I am in position to say that it is predicated upon the present farm program; it would have to be predicated upon the present farm program because the new farm program has not been legislated upon.

Mr. HESELTON. I recognize that. I simply want to comment that I think we have an obligation in this Congress to address ourselves to the President's recommendations in the very near future.

In the second place, I am worried—and I know others in and out of Congress are and have been worried—about the situation insofar as wholesome food commodities are concerned.

Evidence was presented in the other body as to the amount of deterioration and spoilage that had taken place, and it runs into very large figures.

The gentleman from Minnesota [Mr. H. CARL ANDERSEN] introduced a bill Monday which would at least make an effort to improve the situation, and he courteously informed me of that fact. I introduced a somewhat modified version of it. His bill is H. R. 8117; my bill is H. R. 8178. We are interested in providing means of getting the wholesome food that is in storage, for which we are paying millions of dollars of storage—and the amount of this food runs into the millions of pounds—into the hands of people who could use it, and who would use it, if it were brought to them.

Mr. H. CARL ANDERSEN. Mr. Chairman, will the gentleman yield?

Mr. HESELTON. I yield.

Mr. H. CARL ANDERSEN. I want to call to the attention of the House that the gentleman from Massachusetts now addressing the House was very helpful in joining me a few years ago in pushing through legislation which had much to

do at least for a short period with getting surplus foods into the hands of welfare boards and old-age recipients. The gentleman from Massachusetts and I at this time are interested in extending that same principle which was so successful some years ago.

Mr. HESELTON. Again I want to say that this is not any criticism of the Committee on Banking and Currency, for they have no jurisdiction over this phase of it; but I insist that you and I and everyone in either body of this Congress have a great moral responsibility not to let this food be destroyed or spoil, especially while people are hungry and cannot afford to buy the food. So we are not interfering with the normal trade channels in any way whatsoever. We are just presenting this as a solution to prevent the spoilage and other waste and loss of this food. We feel that the proposal we have presented at least makes a stride in the right direction.

I am not sure that any of us would be justified necessarily in opposing this bill that is proposed this afternoon, but I am inclined to think that in view of the amount of credit that is available still—and I may say that I have some real hope the Committee on Agriculture is going to give a hearing on these various proposals fairly soon—that we might put the horse before the cart by recommitting this bill to the Committee on Banking and Currency temporarily for further study and to see what developments may appear in the near future.

We may find some degree of order out of the whole picture and begin to eliminate the terrific cost to the taxpayers and also relieve hunger wherever hunger exists. I think every Member of this body feels keenly that if we have an opportunity to pass on that type of a bill which will relieve the Treasury and the taxpayers, on the one hand, and will assist in taking care of people who are hungry and cannot afford to buy these foods, then we will be taking most constructive and humane action.

While there are a great many groups and individuals who are becoming more and more concerned every day as to what may happen to the gigantic supplies of food commodities held in storage by the Commodity Credit Corporation, I want to mention one group particularly. It is the American Council of Voluntary Agencies for Foreign Service, Inc. The following are the member agencies:

Adventist Relief Agency of the General Conference of Seventh-day Adventists.

- American Baptist Relief.
- American Bureau for Medical Aid to China, Inc.
- American Committee for Emigre Scholars, Writers and Artists, Inc.
- American Committee of OSE, Inc.
- American Federation of International Institutes, Inc.
- American Friends Service Committee, Inc.
- American Friends of Russian Freedom, Inc.
- American Fund for Czechoslovak Refugees, Inc.
- American Jewish Joint Distribution Committee, Inc.

- American Middle East Relief, Inc.
- American National Committee To Aid Homeless Armenians—ANCHA.
- American ORT Federation, Inc.
- American Relief for Poland, Inc.
- Boys' Towns of Italy, Inc.
- Brethren Service Commission.
- Church World Service, Inc., National Council of the Churches of Christ in the U. S. A.

Congregational Christian Service Committee, Inc.

Cooperative for American Remittances to Everywhere—CARE.

Foster Parents' Plan for War Children, Inc.

General Council of the Assemblies of God, Foreign Service Committee.

Girl Scouts of the United States of America, Inc.

Hands Across the Sea Annual Scholarship Award, Inc.

Hebrew Sheltering and Immigrant Aid Society, Inc.

International Rescue Committee, Inc.

International Social Service, Inc.

Iran Foundation, Inc.

Lutheran Service to Immigrants of the National Lutheran Council.

Lutheran World Relief, Inc.

Mennonite Central Committee, Inc.

National Council of Jewish Women, Inc.

Near East Foundation.

Russian Children's Welfare Society, Inc.

Salvation Army.

Selfhelp of Emigres From Central Europe, Inc.

Tolstoy Foundation, Inc.

Unitarian Service Committee, Inc.

United Friends of the Needy and Displaced People of Yugoslavia, Inc.

United Lithuanian Relief Fund of America, Inc.

United Seamen's Service, Inc.

United Service for New Americans, Inc.

United Ukrainian American Relief Committee, Inc.

War Relief Services of the National Catholic Welfare Conference, Inc.

World University Service.

Young Women's Christian Association, Inc.—world emergency fund.

Certainly these representatives of millions of fine Americans should be encouraged to continue their humanitarian work.

It is my personal conviction that legislation in this field should extend to fellow Americans who could use this food, but who are not able to purchase it.

Charges are made that while this increasingly difficult problem of constantly increasing food surpluses is recognized by practically everybody, no practical suggestion has been offered which would be of assistance. I urge most sincerely that our Committee on Agriculture give the earliest possible consideration to H. R. 8117 and H. R. 8178 as practical suggestions.

I want to include here the latest information I have found as to the quantities of certain of these food surpluses.

As of December 31, 1953, the Commodity Credit Corporation had on hand 448,239,917 bushels of wheat, 361,511,364

bushels of corn, 285,084,033 pounds of butter, 269,130,366 pounds of cheese, 465,540,630 pounds of dried milk, 3,094,883 pounds of honey, 1,751,173 bushels of oats, and 202,825 gallons of olive oil.

The total carrying charges on storing those commodities from June 30, 1953, was \$99,314,333.84. That was at the rate of \$539,751.81 a day. I think we must assume that these charges have continued and undoubtedly are close to or beyond \$103 million.

Of course, some of these charges will prove to be sound, especially in the carry-over of wheat, corn, and oats. But it is equally clear that a very large portion is now uneconomical. Certainly, if used in paying transportation costs in clearing out these warehouses, thereby ending the continued drain on the CCC funds, this

would be a useful result. By also ending the continuing threat of spoilage we would have another good result. And by providing means of placing food in the hands of those who need it but cannot buy it, we would have brought about the best result of all.

I hope our colleagues will consider these bills carefully in the light of all known facts. I am confident that if this is done, the proposals will receive overwhelming, if not unanimous, approval. But every day lost in obtaining action means a loss to the taxpayers in unnecessary carrying charges of many thousands of dollars a day. And the possibility of spoilage certainly increases daily.

The challenge of loss by deterioration and shrinkage has been one which has concerned me for years. I was not able

to secure any satisfactory information as to its extent, although we all recall the reaction of the American people when good, wholesome potatoes were destroyed in large quantities.

I am including here data from the CCC as to this. I recall that over a period of some years I was advised that I could not have this information because the CCC books were not set up to provide that. Of course, they should have been so set up. But the CCC is to be commended for instituting this kind of book entries, and I am confident that it will help the CCC and Congress in taking action to prevent the scandal of unnecessary spoilage. However, I must add that I consider a loss of this kind amounting to over \$5 million in 5 months to call for prompt action to prevent its continuation.

The report follows:

Commodity Stabilization Service, Commodity Credit Corporation—Losses resulting from sales of deteriorated commodities and inventory losses due to shrinkage and spoilage, fiscal year 1954 through Nov. 30, 1953

Commodity	Unit	Deteriorated				Shrinkage and spoilage		Total loss
		Quantity	Cost	Proceeds	Loss	Quantity	Loss (cost)	
Corn.....	Bushels.....	8,477,654	\$15,526,022.82	\$11,193,329.80	\$4,332,693.02	343,947	\$608,404.77	\$4,941,097.79
Rice, rough.....	Hundredweight.....					33	190.04	190.04
Wheat.....	Bushels.....	254,935	519,879.15	450,040.27	69,838.88	18,623	84,973.60	154,812.48
Wool.....	Pounds.....					146,592		
Barley.....	Bushels.....	286	356.66	248.85	107.81	1,534	1,920.46	2,028.27
Beans, dry edible.....	Hundredweight.....	596	5,529.91	426.65	5,103.26	2,996	26,005.44	31,108.70
Cottonseed oil, refined.....	Pounds.....					3,702	683.16	683.16
Cotton linters.....	do.....	5,162	505.64	264.71	240.93	1,300	26.98	213.95
Flaxseed.....	Bushels.....					10,323	40,496.77	40,496.77
Grain sorghum.....	Hundredweight.....	1,822	1,994.43	1,182.07	1,187.64		.26	1,187.90
Oats.....	Bushels.....	31,323	27,358.04	20,376.61	6,981.43	1,549	1,208.71	8,190.14
Alfalfa (hay and pasture).....	Pounds.....					2	.56	.56
Clover (hay and pasture).....	do.....					451	132.77	132.77
Grasses (hay and pasture).....	do.....					12	2.40	2.40
Vetches (winter cover crop).....	do.....					19,754	2,091.67	2,091.67
Soybeans.....	Bushels.....	22,440	60,745.76	53,045.05	7,700.71	1	4.38	7,705.09
Corn (emergency feed program).....	do.....					555	819.36	819.36
Total.....			16,138,403.55	11,714,549.87	4,423,853.68		766,907.37	5,190,761.05

[¹ Adjustment of prior fiscal year transaction.

Mr. SPENCE. Mr. Chairman, I yield 9 minutes to the gentleman from Ohio [Mr. HAYS].

Mr. HAYS of Ohio. Mr. Chairman, I was interested in the hearings on this bill in developing the story of dairy products and their place in the farm program. It seems as though in the newspapers and articles that have appeared critical of the farm program that dairy products have been the leading item mentioned.

I was interested in bringing out just exactly what the ratio was of dairy products in proportion to the rest of the program and I find that of all the money involved in the loan obligations, dairy products, which include butter, nonfat dried milk solids, cheese, and so forth, take up just exactly 6 percent of the total fund involved. As a matter of fact, from the figures furnished to us we find that at the present time they have a net book value, commodity inventories and under contracts to purchase, the sum of \$75 million worth of butter. That is a lot of money and, of course, butter is a perishable commodity, but at the same time we have net loans outstanding on other products that run over a billion dollars on a single product, for instance.

There has been a good deal of criticism, and I think perhaps it is justified, of the Secretary's action in reducing the

parity price on butter to 75 percent and leaving items that the dairy people have to buy to produce their product at 90 percent of parity. I undertook to question the Secretary a little about that. I asked him what the biggest item in a dairy ration would be. He replied, "I presume the biggest item would be protein concentrates." I said that that might be true in cost, but in bulk? I will not read you all of this, but finally he gets down to agreeing that probably the biggest item would be corn.

I asked him how he could justify holding corn at 90 percent of parity when they cut dairy products, which depend upon corn to be produced, to 75 percent. I asked him to come in with a program for that, which he says they will do in the future. I am not very optimistic about that.

I merely make this statement, Mr. Chairman, to put this thing in its true perspective and to point out to you that out of the \$6½ billion that are tied up now in this farm program, only 6 percent of that amount is in dairy products which has been the whipping boy of all the criticisms in the newspapers about this program.

As to the immediate urgency of this matter, I think there is some doubt. There has been a good deal of contradiction of testimony about this. Secretary Benson appeared before the Senate

Agricultural Committee on January 18 and he said:

We could conceivably reach our borrowing limitation before the end of this fiscal year, possibly as early as March or April.

That is what he said over there in January. Under Secretary Morse appeared before the House Committee on Appropriations just exactly 1 week later, and he said then that the Department of Agriculture knew that the CCC borrowing authority was nearly exhausted on January 22, and he asked for the cancellation of the outstanding Treasury notes. I think it is fair to ask—and I have always supported the farm program—I have a great deal of agriculture in my district—but before they come back in again I think it is fair to ask that they try to estimate and know a little bit from 1 week to the next what the requirements are going to be, because when you have the Secretary saying one thing and the Under Secretary saying another within the space of 1 week, you begin to wonder, well, do they need this \$1.5 billion or do they not? Of course, the way they are going at the borrowing, they say that the \$1.5 billion is not part of the national debt, but, as I see it, these certificates of interest are part of the obligation of the Federal Government, and whether you do some fancy bookkeeping or whether you do not, it is still another \$1.5 billion that the Federal Government is obligated

for in the long run. This is important, I think.

We asked the Secretary when he was before the Committee on Banking and Currency if he anticipated that he might have to come back for additional funds over and above this \$1.75 billion that he is asking for today, and he said he could not predict accurately what the crop season would be; how much rainfall we would have, and so forth. I certainly concur that he cannot, but he said, "It is very possible that I will have to come back and ask for more." Now, if we are going to go on this way, with \$1.75 billion every time he says he needs it, where are we going to end?

Mr. Chairman, those are some of the things—that this Congress is going to have to deal with if it is going to write a farm program. If it is going to let the present farm program stand, then, I think, we ought to be trying to get some figures as to how much it is going to cost. We ought to be getting some facts about all segments of agriculture and see if they are going to be treated equally, or whether you are going to peg part of them at 75 percent and another part at 90 percent, and if so, what is your justification for it. I do not believe the people who are engaged in agriculture are going to be very happy until they get some better answers than they have now. I think this again ties right in with an article that appeared in the press either yesterday or the day before which showed that the net farm income in the last year had gone down even further out of proportion to the income of the rest of the population than it has been. When you cut the farmer's income in this country it has been a historical fact and it is a historical fact and it always will be one that you cut his purchasing power, and when you cut his purchasing power you not only hurt the farmer, but you hurt the people in the cities who manufacture the articles that he buys, and you start a spiral of unemployment. All these things tie in with this. All this we are trying to do today is nothing but a stopgap program; it is not trying to get at the root of the problem on the farm that we were promised a year ago.

I asked the Secretary if he had any concrete suggestions, and he said, "We have been doing a lot of thinking about it." I asked him specifically if he had any suggestions for getting this butter out to the people who could use it so that it would not spoil. He said, "There has been a lot of thinking on that subject." I said to the Secretary, "Mr. Secretary, sometimes I think there has been too much thinking and not enough action."

I say again, that some program had better be devised to get this butter on the market, because if you do not and you let it spoil, the people of this country will have paid for it twice, once in taxes when they bought it; and, too, they have been paying for it right along in the high price of butter.

My district is partly agricultural and partly urban. I believe the people in the urban area are willing to pay for the butter once. I believe they are willing to go along. But I do not think they are willing to pay for it twice. As a farmer,

I certainly am not willing to ask them to pay for it twice.

(Mr. BYRNE of Pennsylvania asked and was given permission to extend his remarks at this point in the RECORD.)

[Mr. BYRNE of Pennsylvania's remarks will appear hereafter in the Appendix.]

Mr. WOLCOTT. Mr. Chairman, I yield 5 minutes to the gentleman from Minnesota [Mr. H. CARL ANDERSEN].

(Mr. H. CARL ANDERSEN asked and was given permission to revise and extend his remarks.)

Mr. H. CARL ANDERSEN. Mr. Chairman, first may I say that I regret that the gentleman from New York [Mr. MULTER] has seen fit to call up the item of the Front Royal Cottage. If he had taken the time to refer to the hearings before my subcommittee this past month he would have found in those hearings on page 117 a full explanation of this \$1,610 item which, after all, was utilized in repairing property of the Federal Government which was falling into disrepair. It certainly was not in any way by any wild stretch of the imagination used to benefit Mr. Benson. He and his family were guests in the cottages for only 9 nights during the year and Mr. Benson paid the going rate of rent for those 9 nights.

I refer the House again to pages 117 and 118 of volume I of the hearings before my subcommittee this year in regard to this particular point.

One other item: We hear these gentlemen from the cities belabor agriculture and the farmer as to what it has cost in relation to the price-support program. I wish they would give the full picture when they talk about that. In the first place, if they would turn to page 123 of the hearings to which I referred, they would find that the net realized loss to the taxpayers of America as of November 30, 1953, just last November 30, over the stretch of a 20-year period, in relation to the price support program, according to the Department of Agriculture is \$1,194,800,000; in other words, less than \$60 million a year since the inception of the price-support program.

On the other hand, on the following page, if the gentlemen will study the record, they will find that \$2,102,000,000 was paid out by the Commodity Credit Corporation during World War II for strictly consumer subsidies and, in addition, there was paid out by the Defense Supplies Corporation and the Reconstruction Finance Corporation an additional sum of \$2,143,000,000, totaling in those two items alone \$4,250,000,000—for what purpose? For nothing but bringing to the consumer food at a cheaper price than otherwise he would have been able to secure it for. Did the gentleman from New York [Mr. MULTER] and the gentleman from New York [Mr. JAVITS] object at the time to those consumer subsidies which, according to the record in these hearings before me, amounted to at least 2½ times the total cost of the price-support program to date?

Let us be fair. I estimate personally, based upon evidence before us, and including the \$609 million made available

just the other week in impairment of Commodity Credit Corporation capital, that our price-support program may be claimed to date as costing the taxpayers of America \$1,800,000,000 at the most, \$90 million a year for 20 years. It has resulted in bringing to the United States of America a strong prosperous agriculture. It is an expenditure which has resulted in bringing to the economy of the United States of America untold billions of dollars—thousands of millions of dollars of additional revenue. This price support expenditure has given hundreds of thousands of young veterans of World War II and Korea an opportunity to get started in agriculture. So when you representatives from the consumer districts say anything about this price-support program, please remember too that we are apt to question you about the gift by the taxpayers to the consumers during the war period of, and I quote again, "\$4,300,000,000" or 2½ times the amount expended and justly chargeable to the price-support program over the 20-year period.

Mr. STAGGERS. Mr. Chairman, will the gentleman yield?

Mr. H. CARL ANDERSEN. I yield.

Mr. STAGGERS. I think most of us are in agreement with the farm program, but I would like to ask a question about the statement about this \$1,610. I understood the gentleman from New York to say that two thousand and some odd dollars had been taken from animal-research funds to repair this cabin. Whether that is true, I do not know. Is it true? Can the gentleman inform me on that?

Mr. H. CARL ANDERSEN. Let me quote from the record. This cottage was taken over, as you folks know, from the Remount Service, Department of the Army, in 1948. The Department of Agriculture found that it needed repairs. If you will look at page 118 in the record of the hearings, you will find these sums charged for repairs. One thousand, six hundred and ten dollars of which labor, sanding floors, screens, glass, fence wire, miscellaneous hardware, water heater, connections and so forth were included.

Mr. STAGGERS. I would like to know if the gentleman can tell me whether the funds came out of the animal research money to repair a cabin.

Mr. H. CARL ANDERSEN. The Bureau of Animal Industry, I might say, seeing the need for repairing this cottage to a certain extent, allocated these particular funds for special repairs to the cottage. This was from a reserve established for contingencies in connection with animal husbandry research.

Mr. STAGGERS. I do not think they have the authority to do that.

Mr. H. CARL ANDERSEN. As far as I understand, for the preservation of Federal properties, certainly they were within their rights.

Mr. HUNTER. Mr. Chairman, will the gentleman yield?

Mr. H. CARL ANDERSEN. I yield.

Mr. HUNTER. Of course, we must realize that all of the maintenance and upkeep of the buildings and facilities that are there come within the research program. It is only natural that if we

have a building on these premises, it would be maintained and kept up out of research funds just like barns or any other farm building.

Mr. H. CARL ANDERSEN. Why certainly.

Permit me to conclude by saying that I do not agree with Mr. Ezra Benson on his sliding scale price support theory, but I do want to treat him fairly on matters of this nature just as you and I and all of us would like to be treated.

Mr. SPENCE. Mr. Chairman, I yield 5 minutes to the gentleman from Illinois [Mr. O'HARA].

Mr. O'HARA of Illinois. Mr. Chairman, the Democrats from the urban centers of the North have supported the farm price-support program because they believe there is a fellowship and a mutuality of interest between the workers in the cities and the farmers in the agricultural regions. We have gone along with the farm program, even though there were times when we needed help in meeting our urban problems, problems that are very close to us, and our friends from the agricultural districts did not show the same degree of understanding of our problems that we have tried to give to their problems.

As a member of the Committee on Banking and Currency, I voted for this bill because I did not want to do anything to hurry on a depression. Frankly I am afraid of the economic weather. Already we in the cities are feeling the let-down in agricultural buying power. Furthermore, the bill is not writing any new policies. It is merely meeting the honest obligations incurred under existing law. Existing law may be right or it may be wrong; that is not the question presented today. Under existing law obligations were contracted and there was no way of estimating their volume with any fair degree of certainty. If this bill is not passed, then the Commodity Credit Corporation cannot meet its honest obligations. What then is the moral obligation upon me as a Member of Congress?

When we had what is now Public Law 295 before us we had another situation. Public Law 295 gave three-quarters of a billion dollars to the Commodity Credit Corporation not by appropriation but by subterfuge. I think that was the dishonest way of legislating. The Commodity Credit Corporation owed the United States Treasury this money. Public Law 295 ordered the Treasury to give CCC a receipt in full. That to my mind is exactly the same as though I had gone into a national bank and borrowed \$5,000 and later the directors of the bank got together and told the note teller to tear up my note and forget about it.

This bill, however, is conceived along the path of honor. CCC needs the money because the demands imposed by existing law have made the demand. It is a matter of increasing the debt authorization or defaulting.

My support of this measure under the prevailing circumstances does not mean that I am excusing the combined obstinacy and stupidity that has marked our agricultural program under the present administration. I am going along only

because the honor of our Government is involved and it is not a case of who got us and so quickly after the historic change in the present sorry mess.

But, Mr. Chairman, in our districts in the cities they are beginning to ask questions. I want to know how to answer them. There is interest in the Second District of Illinois in this butter that is being stored. We have many thousands of people in the city of Chicago, and in my district, who could use that butter. I am thinking especially of the older men and women living on disgracefully low allowances. Why does not the Secretary of Agriculture give his time, and may I in humility and reverence say, Mr. Chairman, his prayers, to finding some way of getting that butter out of storage. The Secretary of Agriculture is paying \$14 million a month in storage fees. Why does he not move heaven and earth to get that butter to poor and needy people? It is ridiculous to say that to distribute it among people who could not purchase because of lack of money would disturb the market.

Mr. Chairman, yesterday when I thought this bill might reach the floor of the House, I telephoned the Department of Agriculture to ascertain the quantity of butter in storage. I was told that there were on hand in storage 283,699,485 pounds of butter.

There are now on old-age assistance 2,591,016 men and women. On social security there are 5,981,420, including widows and orphans.

Mr. Chairman, the common sense procedure is to save ourselves a good share of that \$14 million monthly storage bill by distributing a little butter among some millions of our fellow citizens who never even get near the sight of butter.

Mr. WOLCOTT. Mr. Chairman, I yield 3 minutes to the gentleman from Illinois [Mr. SPRINGER].

Mr. SPRINGER. Mr. Chairman, in this whole program there is one thing that I think is being lost sight of which disturbs me a great deal.

We have on hand a product, for instance, about 700 million bushels of corn, which is approximately a billion dollars' worth of corn.

However, when you come to analyze that it is exactly a 3 months' supply of our national domestic needs. I do not believe the United States is in the same position it was before World War II. You are simply going to have to have a supply on hand, in view of our position in the world today. I do not think we can go back to that point we were in before the war, where we had no surpluses of any kind. I think the question to be determined by the Department of Agriculture, and I do not seem to be able to get any answer to this, if you are going to have a storage program for the possibility of an outbreak of another war, what is that supply going to be? How many bushels is it going to be?

I think the second pertinent question is, "Is there any correlation between the stockpiling of agricultural products for a critical period of time and the national defense?" You have a strategic stockpile of minerals, metals, and many other things, but as far as I know, there is no

program worked out to tell us how much we should have on hand for critical times.

Sometime ago the chairman of the Committee on Agriculture [Mr. HOPE] raised this question with me when I took up the question of corn with him. He said, "I do not think a 90-day supply of corn is too much to have on hand." If we should have an outbreak of war, a 90-day supply would be infinitesimally small. I think somewhere along the line the administration and the Secretary of Agriculture must say what our supply should be in these various agricultural products.

There is a third pertinent point I want to make, and I think I discussed it the other day on the floor of the House, but I want to reiterate it. This last summer when I was in Europe every country I visited had a trade mission, and the trade mission in those countries had a purpose. The purpose was to sell the product of that country in the world market. The thing that surprised me was that all over Europe there was not a single American that I could find in any embassy that was working to get rid of any surpluses we had in this country, or, as far as I could find out, was very much interested in it at all. We have nothing resembling a trade mission in our entire Government setup.

I do believe that it is important that the Department of Agriculture or these various departments, whatever department it is, that they be interested in this problem of surplus and how we are going to make up our program for getting rid of our surpluses in regular trade channels abroad.

I would like, if I may, to ask the chairman of this committee, the gentleman from Michigan, if he has any knowledge of any correlation of the agricultural surplus storage program with our strategic stockpiles?

Mr. WOLCOTT. I do not know that I can answer the gentleman specifically, but I have in mind that the Commodity Credit Corporation acts as the purchasing agent in some particulars for the Defense Department. Much of the surplus which the Commodity Credit Corporation is holding in addition to its loan program, that is, after they have taken the percentage they need to hold, they sell to the armed services as much of the surplus as they can.

Mr. SPRINGER. Has the Secretary of Agriculture in any of his appearances before the committee ever indicated what he felt our surplus should be, the normal surplus that we would expect to have from year to year for purposes of national defense?

Mr. WOLCOTT. No; that varies from year to year as the defense needs vary. Militarily, of course, it varies in accordance with their full needs, because there is nothing static with respect to personnel in the Defense Department, Army, Marine, Air Force, Navy; there is no way they could possibly tell about that; it varies according to the number of personnel.

Mr. SPRINGER. I thank the gentleman. May I submit the same question to the gentleman from Minnesota [Mr.

tion from going to the great centers of finance and marketing its obligations instead of going to the Treasury. Is there any objection to that? I thought when I offered this amendment, it would stabilize and strengthen the Commodity Credit Corporation. I can assure you it was offered in kindness and in a spirit of helpfulness. What is the effect of going outside the Treasury? In order to make these obligations appeal to the financial institutions, the interest rate is raised. Interest is a very sensitive mechanism. When the interest rate is raised on these obligations, the interest rate on the bills and notes of the Treasury is raised. It has always happened that way. This will not only cost the Commodity Credit Corporation vast sums of money, but it will also entail a vast expense upon the Government to finance its general governmental operations.

Mr. WOLCOTT. Mr. Chairman, will the gentleman yield?

Mr. SPENCE. I yield.

Mr. WOLCOTT. Just by way of clarifying what the gentleman intends by this amendment, what obligations has the gentleman in mind? I notice he exempts the certificates of interest and then provides that the Commodity Credit Corporation cannot sell its obligations to other than the Treasury. What obligations does the gentleman have in mind—the bonds, the notes, and so forth?

Mr. SPENCE. The bonds, the notes, and the obligations that will give them the necessary cash to operate their ordinary functions.

Mr. WOLCOTT. What are they in addition to the bonds or debentures that they sell to the Treasury anyway to get their working capital? What obligations of the Commodity Credit Corporation has the gentleman in mind? He does not have in mind the certificates of interest, because he exempts them. He surely cannot have in mind the obligations which they sell directly to the Treasury, anyway. What obligations does the gentleman have in mind?

Mr. SPENCE. They could, without this amendment, sell obligations outside of the Treasury.

The CHAIRMAN. The time of the gentleman has expired.

Mr. MULTER. Mr. Chairman, I ask unanimous consent that the gentleman's time be extended 5 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from New York [Mr. MULTER]?

There was no objection.

Mr. SPENCE. What would prevent them now from selling any obligations, the obligations they now sell to the Treasury, to private enterprise? They could do it. I have been informed by people connected with the Commodity Credit Corporation that, while I do not claim they are for this amendment, it would do exactly what I want it to do.

Mr. MULTER. Mr. Chairman, will the gentleman yield?

Mr. SPENCE. I yield to the gentleman from New York.

Mr. MULTER. Is the intention of the amendment of the gentleman from Kentucky [Mr. SPENCE] that it stop the

present practice engaged in by the Secretary of Agriculture in October, December, and January, of selling certificates of interest? The point is that they shall not be prohibited from issuing certificates to banks making loans to borrowers; is that so?

Mr. SPENCE. That is so.

Mr. MULTER. But the purpose of the amendment is to stop the sale of certificates of interest to bankers?

Mr. SPENCE. This would have prevented that pool that was created to purchase \$1,100,000,000 of certificates, of obligations of the Commodity Credit Corporation, by banks who were not interested in the program, who had not participated in it, who were merely moneylenders, who had no interest at all in the activity or the program of the Commodity Credit Corporation.

Mr. MULTER. This will not in any way interfere with banks lending to farmers in connection with the Commodity Credit program and will not in any way interfere with the Commodity Credit Corporation taking back those loans made by the banks to the farmers?

Mr. SPENCE. That was the purpose I had in view. I have discussed this with some of the officials of the Commodity Credit Corporation. I do not say that they said they were for it, but I wanted to know if it would do what I want it to do, and they said it would.

Mr. WOLCOTT. Mr. Chairman, will the gentleman yield?

Mr. SPENCE. I yield to the gentleman from Michigan.

Mr. WOLCOTT. Let us assume that in village X a bank makes a crop loan and that bank sells that loan to a larger bank, a correspondent bank. Is the gentleman assured that that correspondent bank is not prohibited from taking that loan, under the gentleman's amendment, to the point where we will stymie the crop loans which are made to local banks? Approximately a billion dollars have been loaned on cotton alone, and I know that the gentleman does not want to interfere in any way with his tobacco program. There must have been hundreds of millions of dollars of those loans within the periphery of his own district.

I do not think the gentleman wants this amendment.

Mr. SPENCE. I am satisfied it would not affect that. I think it would put this on a sound financial basis that would make the operations less expensive—of less cost to the Government. I only want to put this on a sound financial basis. These notes are sent by the banks to the Commodity Credit Corporation. They issue their certificates to the banks all over the country, and these little banks would operate just as they operate now, under this amendment.

Mr. ABERNETHY. Mr. Chairman, will the gentleman yield?

Mr. SPENCE. I yield to the gentleman from Mississippi.

Mr. ABERNETHY. I am somewhat intrigued by the gentleman's proposal. All of us, of course, want to be sure that we are on safe ground. After all, the CCC is the very heart of our farm program.

Mr. SPENCE. That is right.

Mr. ABERNETHY. And we would not want to do anything, particularly on the spur of the moment, so far as I am concerned. Of course, I am sure the gentleman has studied the amendment. But we would not want to do anything that might impair the program.

Will the gentleman tell the members of the committee whether or not his amendment purports to return to a system which was followed by the Commodity Credit Corporation for a long period of time, and until a recent date; and whether or not, further, it attempts to set aside some method that has recently been instituted or is something new?

The CHAIRMAN. The time of the gentleman from Kentucky has expired.

(On request of Mr. ABERNETHY and by unanimous consent, Mr. SPENCE was allowed to proceed for 3 additional minutes.)

Mr. SPENCE. I think the original purpose for the creation of the Commodity Credit Corporation was to compel them to do just what I want them to do now.

Mr. ABERNETHY. But have they ever done it in the history of the Corporation?

Mr. SPENCE. I do not know that they have ever done it, but so far as I am concerned, to do anything to injure the Commodity Credit Corporation would be one of the most certain ways to cut my political throat that I know of.

Mr. ABERNETHY. I am sure of the gentleman's interest.

Mr. SPENCE. I do not want to injure the Commodity Credit Corporation, because it has done so much for my people and for the people of the United States, and I am sure it does not in any way impair any of its programs or functions.

Mr. ABERNETHY. I know for a fact the gentleman is interested in the program of the Commodity Credit Corporation, and I am absolutely satisfied that he sincerely means to protect it and certainly would not do anything to harm it. But I am a little bit concerned about the adoption of this amendment now, for it is going to change entirely the way the Corporation has heretofore operated—unless it comes with the majority support of the gentleman's committee.

Mr. SPENCE. It makes it conform to what the Comptroller General said he thought was essential; and he made a fine argument in favor of it.

Mr. ABERNETHY. Did he say that recently?

Mr. SPENCE. He said that 2 years ago, I think.

Mr. ABERNETHY. Did he testify before the committee?

Mr. SPENCE. He did not testify before the Banking and Currency committee.

Mr. ABERNETHY. I thank the gentleman.

Mr. WHITTEN. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I agree with the gentleman in his feeling that the interest rates paid by the Government should not be higher on certificates or on borrowings by the Commodity Credit Corporation from private banks than they would be

if we went through the Treasury. There are several ways to reach that in this bill and I hope that they will be used. However, I would like to say that according to all the testimony that was given before the Appropriations Committee a few weeks ago when we canceled notes of the Commodity Credit Corporation, had this amendment been the law during the past fall for a part of the time you would have had no price-support program. We have a fixed debt ceiling. There are two things that would restrict the capacity of the Commodity Credit Corporation to meet the obligations imposed on it by law to support prices on certain basic commodities; one is the limit of the borrowing capacity of the corporation itself; the other is the overall debt ceiling imposed upon the Treasury by law if that were the only source of funds.

If the Commodity Credit Corporation borrows its money from private sources, as it has been doing in the last year, those notes are not counted as a part of the national debt. On the other hand, if the Corporation has to get its money from the Treasury Department, then it is a part of the national debt. So there were two difficulties facing the Commodity Credit Corporation: One was that the borrowing authority of the Corporation was about exhausted; the other was that the debt ceiling had almost been reached and we could not risk outstanding certificates in private banks being presented to the Treasury for payment. The debt ceiling would have prevented payment. We were close to the edge, and we came within 1 week of having to send out orders all over the United States for everybody to stop putting out anything in the way of price supports. So while I want to correct the ill that seems to be confronting us of paying exorbitant or too high interest rates, I should hate to do it in this way by saying the Corporation has to borrow its money from the Treasury, for should they ever reach the ceiling of the debt limit your price-support program would end.

Mr. TALLE. Mr. Chairman, will the gentleman yield?

Mr. WHITTEN. I yield.

Mr. TALLE. I do not intend to take the time of the gentleman except to make a supplementary comment suggested by previous discussion on this matter and to point out to the gentleman from Mississippi [Mr. ABERNETHY] that the manner of raising money employed by the Commodity Credit Corporation in recent months is an old practice.

If the gentleman and other Members will turn to page 104 and elsewhere in the hearings on this bill, the testimony will confirm that this is an old practice. This method of financing has been used repeatedly in the past. There is nothing startling or spectacular or unusual about it. It was simply employing a practice which the Commodity Credit Corporation had used for many years.

Mr. WHITTEN. I am familiar with the fact that for many years they have financed cotton loans through this course. I do not know what the reason is, why the distinction between cotton and some of the other commodities; all

I am saying is that if you curtail or prevent the Corporation from financing its operations in private fields, should you reach the debt ceiling, then your farm program is out of the window until you can get relief from the debt ceiling. I say when we canceled those notes a few weeks ago we were up to two ceilings: one, the ceiling of the Commodity Credit Corporation, and the other the debt ceiling. Either ceiling will catch you if you get up to it.

Mr. H. CARL ANDERSEN. Mr. Chairman, will the gentleman yield?

Mr. WHITTEN. I yield to the gentleman from Minnesota.

Mr. H. CARL ANDERSEN. The gentleman has well stated that had not this provision been available last fall, the price-support program would have collapsed at that time.

Mr. WHITTEN. I thank the gentleman. I repeat, I am not in favor of paying higher interest rates to private sources for money that you could obtain from the Treasury at a less rate, but you do not have to reach that problem in this way.

Mr. NICHOLSON. Mr. Chairman, will the gentleman yield?

Mr. WHITTEN. I yield to the gentleman from Massachusetts.

Mr. NICHOLSON. If we could get rid of some of these stocks and surpluses that we have, we would not have to have this bill before us; would we?

Mr. WHITTEN. As has been said, I am glad you asked that question. On Wednesday of this week I pointed out here on the floor that the policy of the Government is to hold all American agricultural commodities off the world markets at competitive prices.

The CHAIRMAN. The time of the gentleman from Mississippi has expired.

(At the request of Mr. WHITTEN, and by unanimous consent, he was allowed to proceed for 5 additional minutes.)

Mr. WHITTEN. Mr. Chairman, it is the fixed policy of the Government now that commodities in the hands of the Commodity Credit Corporation shall not be offered on world markets at competitive prices, that we will hold within our country these commodities and let the farmers in the countries of the world have all the market there is; then if there is any left over, we will release ours to the point of making up the difference. That is the situation today. It was confirmed repeatedly in the debate on Wednesday.

I would like to call attention to the fact that I have introduced today a bill which provides that the price support program levels in effect in January 1954, shall continue on every commodity so long as the commodity is not offered on the world markets at competitive prices.

Mr. McCARTHY. Mr. Chairman, will the gentleman yield?

Mr. WHITTEN. I yield to the gentleman from Minnesota.

Mr. McCARTHY. Will the gentleman clear up this point. As I understood him, he said the price-support operation would come to a halt if this legislation had been in effect last fall.

Mr. WHITTEN. According to all the information given us as to how close to the debt ceiling we were, that is true.

Mr. McCARTHY. That is the point I think should be emphasized. If the debt ceiling had been raised, as it probably should have been, and as the House proposed to do, then this action would not have been necessary?

Mr. WHITTEN. Quite naturally, if the ceiling had been higher we would not be as close to the ceiling. That naturally follows. But I am saying that when you deprive the Corporation of the authority to meet its obligations to carry out the price-support system, you leave them absolutely dependent then upon what can be done under the debt ceiling. We all know, however you may feel about raising the debt ceiling, that for a period of time we had been awfully close to it. The fact of the matter is the situation was serious, much more so, than you who do not have to deal with the testimony realized, and a whole lot more close to a really tragic situation than I think the country appreciated a few weeks ago.

Mr. HOFFMAN of Michigan. Mr. Chairman, will the gentleman yield?

Mr. WHITTEN. I yield to the gentleman from Michigan.

Mr. HOFFMAN of Michigan. I was interested in the gentleman's statement as to the effect of this amendment. Do I understand that unless his bill goes through the farm program will fail, will be forced to come to an end?

Mr. WHITTEN. I am saying that the Commodity Credit Corporation is a Government agency. It is set up with a certain borrowing authority. It is charged with the responsibility and duty of supporting farm commodities at a certain price. To do that they must have money.

There are two sources of money: One is directly from the Treasury and the other from private sources by the sale of certificates. I am saying that if the borrowing authority of the Corporation is completely used up, then it has no authority to support the program further. I am saying that if there is no source of money, either because of the ceiling or lack of funds, they cannot carry out their functions.

Mr. HOFFMAN of Michigan. And the gentleman advocates the sale of these surpluses now on the foreign market?

Mr. WHITTEN. I say it is unconscionable and unfair and completely unrealistic to have a Government policy that says American farm production shall be bottled up in this country and not even offered on the world market at competitive prices. We have been following that policy and we are following it now, and all this buildup follows from a governmental program that keeps it tied up and does not even offer it on the world market at competitive prices. That is something that the public does not realize.

Mr. HOFFMAN of Michigan. Then, agreeing with that, as I can, the gentleman contends that we should continue to permit the Congress to borrow money to pay these subsidies?

Mr. WHITTEN. I say if the Government is going to penalize the American farmers by bottling their production up in this country, that it then has an obligation to at least assure the farm folks of some reasonable income. There would

be much less cost if we let the commodities move in world trade.

Mr. HOFFMAN of Michigan. Agreeing with that, Mr. Chairman, I understand the gentleman to advocate the sale of these surpluses abroad.

Mr. WHITTEN. Certainly.

Mr. HOFFMAN of Michigan. All right. Now let me ask the other one. Then that being true, the gentleman contends further that we should continue to pay the subsidies here and, if so, how long?

Mr. WHITTEN. I think as long as by law we have protected the income of those in organized labor, as long as we have minimum wage laws, as long as we have protective tariffs, as long as we have bargaining power of labor unions, as long as we have laws touching just about everything in the world, that there is an obligation on this Congress to give the American farmers some reasonable chance at a fair income by providing for them their fair share of the law.

Mr. HOFFMAN of Michigan. Then, in view of what the gentleman has just said, it inevitably follows that we have to continue to pay farm subsidies indefinitely, does it not?

Mr. WHITTEN. Unless the gentleman can give us an assurance that these other things are going to be changed. I say that American agriculture is entitled to equality in law, and unless you are going to change these other things, it follows we must treat agriculture like the rest if we are going to continue in the years ahead to have the high standard of living we now have. We should be thankful to have plenty of food.

Mr. KILBURN. Mr. Chairman, will the gentleman yield?

Mr. WHITTEN. I yield to the gentleman from New York.

Mr. KILBURN. Is the gentleman for or against this amendment?

Mr. WHITTEN. I believe this amendment would be most unwise and would threaten the farm program as it is now presented.

Mr. MILLER of Kansas. Mr. Chairman, will the gentleman yield?

Mr. WHITTEN. I yield to the gentleman from Kansas.

Mr. MILLER of Kansas. I am wondering whether the gentleman agrees with this, so long as this Government is paying only \$1 out of \$40 out of all the subsidies paid, whether the rest of the country has any objection to paying the farmers that \$1.

Mr. WHITTEN. I do not believe that they have any objection to giving somewhat equal treatment to all the rest. But I do not call this a subsidy. Perhaps it comes from having worked with it, but from my judgment those who take the raw materials out of the ground should have enough income to buy the things they need and afford them a reasonable profit out of their investment. We must see that they can take care of the soil. We provide laws touching practically everything in this complex society, and as long as we have that, we have to strike a balance, and the first place to set that is to provide a reasonable program for those who deal with the original raw material, because they are charged with

the responsibility of maintaining the food supply of the Nation through the conservation and preservation of the soil of our country.

Mr. HOFFMAN of Michigan. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, what I am again trying to have someone tell me is what we are going to do about the situation we are in and which is the result of the farm program of the last two administrations. I understand all right how we got into it and I can appreciate the force of the argument of the gentleman who just preceded me when he says we have had protection to the manufacturer through the tariff, we have had this, that, and the other subsidy or payment all along the line, and his argument, as I get it, is that we should continue to pay subsidies to the farmers because others have profited through Federal payments of one type or another.

All right, then, why not benefit payments to everyone? In my section of the country, where we have farmers who grow wheat and corn, who produce hogs, cattle, and have dairy products, we have as well a large number who have fruit, berries, and vegetables. They grow and they have on the market several million dollars' worth of cherries, plums, peaches, black raspberries, pears, and so on every year. I would like to have the gentleman tell me why we should not have a subsidy on these things, too.

Mr. WHITTEN. When we refer to paying subsidies, that is one thing. The whole farm program is geared up to permit the farmers at the beginning of the year to try to cut the pattern to the cloth, so that they can set out marketing and production goals in line with the expected demand. If we had not dumped this wartime production on our price-support system you would not be paying out any subsidies, because the farmers would have had the opportunity to limit their production to the market.

Mr. HOFFMAN of Michigan. I thank the gentleman. But who ever heard of anyone limiting himself in the production of anything which gave him a substantial profit? The trouble with the gentleman's argument is that he knows that the war has ended and we now have not only a surplus of many things but an increased productivity, not only of farm produce, but of some items of merchandise. He certainly would not have us get into another war so that we could use this surplus for the purpose for which it was originally created. He would not do that. No one would do that.

In my community, for example, one young farmer I know bought three tractors and a combine. He rented three farms and commenced to grow more wheat. Naturally he wanted that \$2.21 a bushel. He has not paid for all his machinery. He does not see any good reason why he should be cut off from what we call the subsidy. At the same time, he said to me when I talked to him, "The policy is not sound, because these surpluses are piling up and up and up, and after awhile we will have so much of so many things we will not have room to store them, even with the Government

building storage facilities which are costing millions every month. Soon we will all be broke."

So what I want to know is when, how soon, we can begin to taper this thing off so we can get out of it. That is what I am concerned about.

Mr. H. CARL ANDERSEN. Mr. Chairman, will the gentleman yield?

Mr. HOFFMAN of Michigan. I yield to the gentleman from Minnesota.

Mr. H. CARL ANDERSEN. There are three definite proposals before this Congress today in the form of legislation. One—introduced by myself—is to enable the Commodity Credit Corporation to take its surplus perishable commodities and put them into the hands of needy people in America who can consume them.

Mr. HOFFMAN of Michigan. The gentleman means give them to people who need them?

Mr. H. CARL ANDERSEN. That is right; right here in America.

Mr. HOFFMAN of Michigan. That is one; and if we do that, the amount of the subsidy goes up, does it not? The overall purchases drop, the price goes down, and every time it does the amount the Government must pay increases, does it not?

Mr. H. CARL ANDERSEN. The taxpayer will naturally have to reimburse the Commodity Credit Corporation for the gift of those particular perishables to the consumers, the needed people in America.

Mr. HOFFMAN of Michigan. That is right; and if you give them away to local people who otherwise would buy on the open market, the market price drops and the Government has to make up the difference between the actual market price and the parity figure.

Mr. H. CARL ANDERSEN. That has nothing to do with the market price, because the support price will still be beneath the commodities. I am talking about the surplus perishables already owned by the Commodity Credit Corporation.

Second, we propose not to add to the storables by forcing the taking out of production of perhaps 30 million acres of land through what is known as the diverted acres program, which I have had a part in proposing to the Congress.

Mr. HOFFMAN of Michigan. Allocation of acreage? And pay the landowner for the acres he does not own?

Mr. H. CARL ANDERSEN. We are going to take those acres out of production entirely and place them into a bank of fertility. There is no use to produce cotton, corn, and wheat we do not need.

Mr. HOFFMAN of Michigan. I have that one; go ahead.

Mr. H. CARL ANDERSEN. The third is to encourage as far as possible shipments abroad of our surplus through an enlarged foreign agricultural program.

Mr. HOFFMAN of Michigan. Which would again increase the amount of the subsidy which would be paid to the producers, because with the surpluses out of the country and off the market, again the gap between the local market price and the parity figure increases and the Government payment goes up.

Mr. H. CARL ANDERSEN. I do not think the word "subsidy" is a fair designation because, as I stated previously, the consumers in America have received 2½ times the subsidy in the last 12 years that the farmers in America have received over a 20-year period in the price-support program.

Mr. HOFFMAN of Michigan. Then the justification for the subsidy seems to be based upon the argument that because consumers have received Federal payments in 2½ years which totaled more than the farmers have received in 20 years, subsidies should be continued until the farmers' payments match those benefits received by consumers.

The CHAIRMAN. The time of the gentleman from Michigan has expired.

Mr. DONOVAN. Mr. Chairman, I am interested in this matter. I ask unanimous consent that the gentleman from Michigan may have 5 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. HOFFMAN of Michigan. Mr. Chairman, that is a wonderful compliment. What does the gentleman from New York want me to talk about?

Mr. DONOVAN. I got the notion that you ran away from the question of the gentleman from Minnesota [Mr. H. CARL ANDERSEN].

Mr. HOFFMAN of Michigan. Mr. Chairman, in view of the statement of the gentleman that I ran away from a question from the gentleman from Minnesota [Mr. H. CARL ANDERSEN], will the gentleman repeat his question?

Mr. H. CARL ANDERSEN. Mr. Chairman, I had finished, and, I believe, put my point across.

Mr. HOFFMAN of Michigan. Mr. Chairman, if the gentleman from Minnesota does not wish to ask a question, I yield back the balance of my time. We all know the policy to be unsound; that if continued indefinitely it will ruin us. All I wish to know is how we can honorably get out of it with the least cost to the taxpayer and without unduly hurting the farmer, the producer.

Mr. BROWN of Georgia. Mr. Chairman, I move to strike out the last word and rise in opposition to the amendment. I desire to propound a question to the chairman of the committee, the gentleman from Michigan [Mr. WOLCOTT]. Mr. Chairman, is it true that there was no evidence at all submitted at the hearing on this amendment?

Mr. WOLCOTT. There was no evidence submitted. It was discussed in executive session.

Mr. BROWN of Georgia. Then, no evidence was submitted at the hearings?

Mr. WOLCOTT. None that I recall.

Mr. BROWN of Georgia. Is it true that this amendment was voted down by a large vote, and then immediately afterwards a similar amendment offered by the distinguished gentleman from Texas [Mr. PATMAN] was voted down by a vote of 16 to 5.

Mr. WOLCOTT. I believe the gentleman is correct.

Mr. BROWN of Georgia. No one in this Chamber can tell what effect this

amendment may have on this program, is that not correct?

Mr. WOLCOTT. Absolutely.

Mr. BROWN of Georgia. This amendment is dangerous. Mr. Chairman, this program is working well. It has satisfied the farmers and the local institutions making the loans. Mr. Chairman, I ask that this amendment be voted down.

Mr. WHITTEN. Mr. Chairman, will the gentleman yield?

Mr. BROWN of Georgia. I yield.

Mr. WHITTEN. I would like to agree with the gentleman, as I expressed earlier, but I asked him to yield so that I might refer to the statement made by the gentleman from Michigan, if the gentleman will permit me to do so. May I point out to the House that in the period from 1942 to 1952, the farmers of the United States were requested to expand their production in the interest of prosecuting the war and meeting the problems thereof tremendously. During a large portion of that time, the Government itself issued export restrictions prohibiting the export of American farm commodities in world channels at any price. I want to point out also that since the war is over, and as of now the Government policy is that American agricultural production shall not be offered on the world market at competitive prices, but that those markets shall be left alone for foreign producers. Under those conditions, it makes it necessary to do many things in this country that would not be necessary, if that Government policy was not in effect at the moment.

Mr. SPENCE. Mr. Chairman, will the gentleman yield?

Mr. BROWN of Georgia. I yield.

Mr. SPENCE. What the distinguished gentleman from Georgia has said is true. The amendment that was offered by me was voted down, but it was not this amendment. This amendment has been changed very materially since then. It is not the amendment which I have now offered, which was voted down in committee.

Mr. BROWN of Georgia. It is the same principle.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. BROWN of Georgia. I yield.

Mr. PATMAN. Is it not a fact that there is a substantial difference in the amendment offered by the gentleman from Kentucky and this amendment, and the reason that many Members voted against it in committee was because it would foreclose the Commodity Credit Corporation from making local loans to carry cotton and wheat and making other commodity loans, and this amendment is so prepared that they will be able to continue to do that and will only have effect where the certificates are offered nationally? This amendment has been prepared to meet the objections which were raised.

Mr. BROWN of Georgia. I do not think it does. I trust the Members who voted against the amendment then will vote against it today.

The CHAIRMAN. The time of the gentleman from Georgia has expired.

Mr. TALLE. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, inasmuch as the Committee of the Whole has just been informed that the amendment now under discussion was not even mentioned in the Committee on Banking and Currency deliberations on this bill and since it has been argued by the proponents that this amendment is an entirely different amendment from anything that was offered or discussed by the Committee on Banking and Currency, certainly an amendment which is so clouded and so confused and so uncertain as to its effects should be voted down.

Mr. McCARTHY. Mr. Chairman, I rise in support of the amendment.

Mr. MULTER. Mr. Chairman, will the gentleman yield?

Mr. McCARTHY. I yield to the gentleman from New York.

Mr. MULTER. Is it not a fact that the gentleman from Texas [Mr. PATMAN], the gentleman from Ohio [Mr. HAYS], and the gentleman from Minnesota [Mr. McCARTHY] all questioned the Secretary of Agriculture and his aids who were present before our committee, on this very subject of interest and the illegality of what they did?

Mr. McCARTHY. I would say that practically the only controversy in the committee that was germane to this particular bill did relate to this very question. Most of the other questioning had to do with Secretary Benson's farm price support program and was unrelated.

The decision to finance the Commodity Credit Corporation by this device, at least as far as we could discover from the questioning, came from the Treasury Department rather than from the Commodity Credit Corporation.

I have a letter dated February 4—before this request came up. My office called the Department of the Treasury and asked what had been done in order to stay under the present debt limit. The answer from W. Randolph Burgess includes this statement:

Thus far the Treasury has been able to operate under the present debt limit. This was accomplished by using a number of expedients.

And then he goes on to list them. As the second expedient, he lists this:

No. 2, by making arrangements with the Commodity Credit Corporation to procure wider participation by banks in the financing of price support loans.

In other words, this program was undertaken, I am satisfied, under the urging of the Department of the Treasury. The consequences of it have been disadvantageous to the Commodity Credit Corporation, which was required under this procedure to pay from three-quarters to 1 percent more interest on these certificates than the Treasury was paying on similar obligations at the same time. In July this 2½ percent interest rate was set; the certificates were not issued until October, November, and February. Between July and the date of issuance of these certificates, the rate on 9- to 12-month Government notes fell from about 2.4 down to 1.7 in October. Yet no change was made in the interest

rates which were offered on these certificates of interest in October when they were issued.

The gentleman from Kentucky [Mr. SPENCE] is trying to establish an orderly procedure which will protect the Commodity Credit Corporation, the farmers, and also protect the taxpayers. I can see no good reason why the Members of the House should not support his amendment.

(Mr. GAVIN asked and was given permission to revise and extend his remarks.)

Mr. GAVIN. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, you know, the more I listen to the debates on agricultural legislation the more confused I become. It seems this amendment is confusion compounded on confusion. Nobody seems to know much about what it is all about. But what I am interested in is what my friend from Michigan [Mr. HOFFMAN] is interested in: How long are these subsidy payments going to be continued?

As I remember, the subsidy program started back in the New Deal days of 1935 and 1936, when we had the dust bowl storms, droughts, and floods, and some help had to be given to the farmers. I think there was justification for the action taken by the Congress at that time in trying to afford relief to the farmers in these devastated areas who needed help. That was all right. After that situation cleared up the argument for continuation of subsidy payments was that in 1938, 1939, and 1940 these subsidy programs were necessary for an incentive to the agricultural interests of the Nation to produce the foodstuffs to meet the needs and demands of a war and subsidies were continued throughout World War II and the Korean war. That was a pretty good reason to continue subsidy programs, too.

In the meantime, the Republicans—and I hold no brief for either side, Republicans or Democrats, you have all had your nose in the trough and you like it: Kansas has wheat; Iowa has corn; Wisconsin and Minnesota have butter, eggs, and cheese; in Nebraska it is wool; in California it is citrus fruits and cotton; in Texas, Alabama, Mississippi, and Louisiana it is cotton; in Georgia it is peanuts, tobacco, and cotton; in North Carolina, South Carolina, and Virginia, it is tobacco; so all are in together and it is a very fine coalition. But the fallacy is that you are getting something for nothing; the facts are the only way Uncle Sam gets money is to impose taxes on the American people. So in reality it is ridiculous to think you are getting something for nothing. You want high prices to the farmer and low prices to the consumer, but you forget to argue that the taxpayer has got to foot the bill; so nobody is getting anything for nothing. We are all paying the bill—farmers, consumers, and everybody. Now how long are you going on with these programs? I just wonder if we are going to be a little realistic in our thinking.

Mr. H. CARL ANDERSEN. Mr. Chairman, will the gentleman yield for a question?

Mr. GAVIN. Not at this time.

We recall the potato fiasco a few years ago. The American people finally got so incensed and frustrated over the potato situation that you finally let it go back to the operation of the law of supply and demand—a free flow of trade—and you have not heard anything about potatoes since. Now it is butter, and you have priced butter out of the market. The Government, through farm programs and subsidies, bought up millions and millions of pounds or tons of butter and put it in warehouses, caves, and storage places to deteriorate, rot, and waste, to take the butter out of the market and hold up the price structure, and take it away from the consumer, because he could not compete with the Government. That does not make sense to me. I am getting rather fed up with the whole program. I think it is about time you gentlemen thought of the average American. Good sound commonsense should prevail. Certainly a continuation of this kind of program just does not make sense. But the minute Secretary of Agriculture Benson talks about flexibility in agricultural programs and a program in an effort to solve these problems, he is attacked vigorously, viciously, and energetically from all parts of the country. I ask you: Do you want to wreck the economy of the country and the farmer along with it?

How long can the economy of this country stand this kind of program? I just hope the Members of Congress will reason and say these programs do not make commonsense.

The CHAIRMAN. The time of the gentleman from Pennsylvania has expired.

(Mr. GAVIN asked and was given permission to proceed for 2 additional minutes.)

Mr. GAVIN. Like my good friend from Michigan, I, too, wonder how long we are going on with this kind of a program; how long the economy of the country can stand up. You are going to carry on, I am telling you here today, until such time as the American people are going to rebel and rise up and say, "Now, listen, Mr. Congressman, let us get back to commonsense." And I am getting letters from farmers in my district who are fed up with these programs. They realize these subsidies cannot go on forever. I had one today. He said:

I am a farmer and have studied Mr. Benson's program. I believe it is worth much to the taxpayers of this country. I think farming should be self-sustaining.

So the time has come when we are talking about increasing the borrowing power of the Commodity Credit Corporation, now getting many billions of dollars. It should be given a good looking over. Yesterday we had considerable debate over a little constructive project where \$5 million was involved; the opposition was forceful.

When in the name of commonsense are we going to reason these programs out, not from a standpoint of political expediency but as good Americans interested in the future welfare of our country? We know these subsidy programs do not make sense and it is time for us to fully realize we must go back to pro-

grams that mean the building and welfare and well-being of the American people and the American taxpayer.

I trust you will all think, not from the standpoint of what it means to me or how politically wise it is but from the standpoint, Is it for the good and welfare of the American people and this great country of ours that has been so generous to all of us over a long period of years? I sincerely hope we are coming back to that kind of reasoning.

Mr. WOLCOTT. Mr. Chairman, I ask unanimous consent that all debate on the pending amendment and all amendments thereto close in 10 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Michigan?

There was no objection.

The CHAIRMAN. The Chair recognizes the gentleman from Ohio [Mr. HAYS].

Mr. HAYS of Ohio. Mr. Chairman, I want to compliment my good friend from Pennsylvania on the very statesmanlike approach he takes to this matter. As a matter of fact, I inserted in the RECORD today an editorial which complimented him on his very statesmanlike approach to the forestry situation the other day. I really believe he has the best interests of the United States and all the people at heart, especially those in his own district. I think that his speech will read real well if he has it printed and if he sends it back to his district. I hope he will send a few of the remarks I will make along with it.

I am serious about this. I agree with many of the criticisms that he made. The agricultural program is bogging down. The Secretary of Agriculture has no remedy in sight. He keeps talking about a great new program he is going to come up with, but he is still thinking about it. Now, the only catch to this is that he, the Secretary, happens to be of the same political party as the gentleman from Pennsylvania, and I am glad the gentleman made the statements he did because nobody could say that they are political. I would hesitate to say those things because if I said them the Republicans would say: "You are just playing politics." But we all know that the gentleman from Pennsylvania would not play politics with a member of his own political party. So he has to be sincere about this.

He made a good speech. There was a lot of validity to it. The gentleman made a lot of telling points. He had a lot of criticisms that the Secretary has not answered. But there was just one thing lacking. The gentleman does not have a program, either. If he did I did not hear it mentioned.

Now, the agricultural population is an important segment of our country. The income of those people is vital to the economy of the country. It is nice to criticize, and I tried to be very careful the other day when I was questioning the Secretary. In critical questions I asked, I pointed out to him that I knew it was easy to criticize and difficult to come up with a solution, that I had some suggestions to make, too. But this is a program that both Democrats and Re-

publicans have been fooling around with. The gentleman said it is a coalition, but you know it is a funny thing, with all the smart people there have been in Congress before I came, and a lot of them since I came, nobody has come up with a perfect answer yet.

Mr. GAVIN. Mr. Chairman, will the gentleman yield?

Mr. HAYS of Ohio. I yield to the gentleman from Pennsylvania.

Mr. GAVIN. I quite agree with the gentleman.

Mr. HAYS of Ohio. I cannot yield for a speech.

Mr. GAVIN. The point I am trying to make is this: For 20 years, we will say, the previous administration has handled the affairs of our agricultural program. Now, I think this—and I am sincere about it—I think Secretary Benson is a conscientious, hard-working agriculturalist who is trying to do a job.

Mr. HAYS of Ohio. I cannot yield any more.

Mr. GAVIN. Just give him a chance; that is all I am asking. Let us give him a chance, and then in a year from now, if he does not come up with something, we can approach it in a different manner. We have not tried yet what he recommends, but let us do that and see how it works; and then next year come back, if it does not work, and then you can work him over. But he has not been in long enough.

Mr. HAYS of Ohio. That is all I can yield for. I am glad the gentleman made that statement, because it is in my remarks, and I am going to see that it stays in. We have given him a year, and now you want him to have another year. We will give him another year, and I will make a little prediction that he will not have any more program than he has now; and then I will hold you to your promise that we can work him over, because if he does not come up with a sound program he will be worked over. I will sure work him over. I believe in being charitable, and I believe in giving him time. But, you know, I read a piece in the paper the other day about some fellow making a speech about 20 years of treason. Then he attacked the administration the next day, and one of the Republican papers said, "He is not mad at anybody; he is just looking for material for a speech to be called 21 years of treason." Now, the Secretary of Agriculture, or, to be perfectly fair, some of his political adherents, talked long and loud about what they would do for the farmer if they could only get in power. The question occurs to me, What year are they going to start doing these things for the farmer?

The CHAIRMAN. The Chair recognizes the gentleman from Michigan [Mr. WOLCOTT].

Mr. WOLCOTT. Mr. Chairman, I think attention has already been called to the futility of this language and the doubts expressed whether it even does what the gentleman from Kentucky intends by it, because as some of us interpret the language, while this limitation would not apply to certificates issued by the Commodity Credit Corporation to

banks making Commodity Credit Corporation loans, it does apply to a method which has been used by the Commodity Credit Corporation in getting its money to effectuate the contracts over the years. It just so happens that these small banks that make these loans service these loans, they advise with the farmers, and they make it possible to make the loan locally, instead of a farmer out in the back country having to come miles into the city. Recognizing that certain States are remote from the money markets, the participants in this program in those States would find it necessary to go hundreds of miles, perhaps, to the money markets, were it not for the fact that these loans made by small banks to these farmers can be pooled and the certificates sold to their correspondent banks.

The interpretation I personally put upon the language the gentleman from Kentucky has offered in his amendment is that although it would exempt the certificate issued to the original bank, the small country bank, it would prohibit the practice of pooling these certificates, which is the key, the hard core of this program at the present time.

This has been going on for years. I call your attention to the fact that as far back as 1943, down to and including 1952, they were operating directly through the banks under this program in a volume exceeding \$1 billion. They even borrowed from the public as far back as 1938. At the present time they have other certificates amounting to \$1,160,000,000. I am informed that about \$675 million of this total is in cotton certificates and that \$210 million of the loans pooled are tobacco producer loans. I am sure the gentleman from Kentucky does not want to do anything which would prohibit his tobacco farmers from participating in this program.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Kentucky.

The question was taken; and on a division (demanded by Mr. SPENCE) there were—ayes 48, noes 89.

So the amendment was rejected.

Mr. PATMAN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. PATMAN: Page 1, line 5, immediately following the figure "8,500,000,000" (and before the quotation marks which follow such figure) insert a colon and the following: "Provided, That the Corporation shall not issue any obligations (other than to the Secretary of the Treasury) at a rate of interest in excess of 25 percent of the rate of interest (or comparable cost) paid by the Treasury of the United States on the most recently issued obligations of the United States of comparable maturity, except that the provisions of this proviso shall not apply to lending agency agreements applicable to loans under a commodity loan program."

A CHANGE FROM THE TRADITIONAL POLICY

Mr. PATMAN. Mr. Chairman, I do not believe the Members of the House want to go as far as this bill goes, if they would only understand it. I know they have not had the time to study it. Some of the members of our committee evidently have not because the hearings are full of valuable information, which

I am sure has not been given consideration by all Members. This is a big change from the traditional policy. I am going to try to show you how it is a change, if I can. Heretofore, the farmers who were getting Commodity Credit loans on their tobacco or their cotton or anything else went to their local banks and got these loans. That was all right. This amendment will not change it. It will preserve that traditional policy. They will still be able to do that. But when they do that, they will not be in competition with the Treasury in getting money. They get this money locally. If you do it, as this bill provides, it will be a mandate from the Congress to increase the interest rates on the farmer, and take just that much more purchasing power away from him, and make him spend that money paying interest instead of buying something that is necessary for himself and his family. Putting it simply that is exactly what it amounts to. Under the traditional policy, the Commodity Credit Corporation gets the money from the Treasury. Where does the Treasury get it? It borrows it from the banks and other investors. If you want to call it that, it is the private enterprise system at work. But when the Treasury gets it from private-enterprise system, the Treasury lets the Commodity Credit Corporation have it. In that way, it saves the farmers a great deal of interest because the Treasury can borrow money cheaper than the Commodity Credit can. It saves the farmers a lot of interest. Furthermore, it saves another thing. It would save the Commodity Credit from going into the market and asking for a bid on money at the same time the Treasury is going into the same market and asking for a bid on money. That causes the Commodity Credit Corporation to have to pay more money in the form of interest. That causes its competitor—its competitor, imagine that—are you going to vote to set up competition between two Government agencies—the competitor in this case will be the Treasury to have to pay more interest which is charged to the taxpayers. The Treasury will have to pay more money in the form of interest because it is in competition with Commodity Credit. That is not just a guess. Call a page and have him bring you a copy of the printed hearings before our committee. Turn to page 29 and then to page 30, and you will find that last year the Commodity Credit in adopting that policy for the first time in history that it has ever been adopted—the first time—cost the farmers of this country \$9 million more. Then it cost the Federal Government in borrowing on short-term securities, being in competition at the same time with the Commodity Credit Corporation—it cost Uncle Sam \$97 million more. That is not for just 1 year, but it is for 10 years or 15 years or 20 years—it is from here on because those debts are refunded on longer obligations, as you know. For us to vote for this bill, without this amendment, is just voting to endorse not only the hardest kind of hard money possible, but the highest kind of high interest policy. A vote for this bill without this amend-

ment is a vote to place two Government agencies in competition with each other in their efforts to get funds from the investing public.

I am inserting herewith excerpts from the hearings on this bill before the Banking and Currency Committee, pages 29 and 30:

Mr. PATMAN. Now, this has resulted in the Treasury having to raise its rate, and the figures I am putting in the record will show something that the gentleman from Kentucky indicated a while ago, that not only did you pay more money than you should have paid on these certificates by over \$9 million a year, because you went through the banks instead of the Treasury, but it caused the Government to have to pay more and more on 90-day bills, which cost the Government \$97,500,000 for the first year of interest.

I am putting this statement in the record. (The statement referred to by Mr. PATMAN is as follows:)

"CERTIFICATES OF INTEREST IN CCC LOANS

"Secretary of Agriculture Benson announced on September 23, 1953, to the American Bankers Association the outlines of a plan to allow banks to participate in a pooling of loans made by the Commodity Credit Corporation in the course of supporting prices of certain basic crops.

"The purpose, he said, was 'to achieve a greater investment of funds by private banks with a view to reducing the Commodity Credit Corporation's use of Treasury funds to a minimum' (American Banker, September 23, 1953).

"Some details were announced by Benson on October 14, 1953, when bankers were invited to buy certificates of interest in the first three pools. On the basis of transactions in more than \$1 billion worth of CCC loans, here's how the system works:

"As in the past, the CCC makes price support loans to farmers, either directly or by using local banks as fiscal agents. As the amount of outstanding loans increases, CCC goes to the United States Treasury Department and borrows enough money to meet its obligations to farmers. The Treasury lends the money out of funds on hand or goes into the market to raise it by its own borrowing. Congress has placed a limit on CCC's authority to borrow from the Treasury which currently stands at \$6.75 billion, but would raise to \$8.5 billion in President Eisenhower's recommendations of January 11, 1954. This process has been going on for many years.

"However, the Treasury was turned down last summer by Congress on its request for an increase in its own authority to borrow money, or increase the congressional ceiling on the public debt. As the Treasury got closer and closer to the ceiling, methods were devised for avoiding a rupture of the ceiling, including the new plan for certificates of interest in price support loans.

"The CCC placed outstanding price support loans in a pool and sold certificates of interest in the pool to bankers, using the cash thus collected from bankers for making subsequent price support loans to farmers and thus avoiding a trip to the Treasury to borrow. Partly because of this release, the Treasury has avoided piercing the ceiling to date, for the certificates of interest are not considered part of the public debt.

"NOTE.—This arrangement between the CCC and private banks is not to be confused with a program which has been operated for several years whereby the local banks which handle price support loans as fiscal agents for the CCC elect to hold the loan (and service it) in return for a payment of interest from the CCC. The new system is in addition to that one.

"Secretary Benson has set up three pools for banker participation by purchase of certificates of interest, as follows:

Date	Target amount	Interest rate	Oversubscription
		Percent	
Oct. 14, 1953.....	\$360,000,000	2½	\$1,790,304,000
Dec. 7, 1953.....	450,000,000	2½	754,304,000
Jan. 15, 1954.....	350,000,000	2½	1,511,529,000
Total.....	1,160,000,000		4,056,137,000

"This is actually Government (CCC) borrowing from banks on short-term or call conditions. The very first announcement, on October 14, stated: 'Certificates will mature on August 2, 1954, but will be purchased by the CCC prior to maturity upon demand.'

"However, the rate of interest paid by the CCC is considerably higher than the going rate on Treasury short-term borrowings and commercial call money. The CCC is paying 2½ and 2½ percent, while the Treasury could have borrowed 91-day (short-term) money for 1½ percent or less. (Commercial call money was about 2 percent at the time.)

"The difference between the two rates represents added cost to the taxpayers. Assuming a Treasury rate of 1½ percent, here is the approximate additional cost of each pool transaction:

Date	Target amount	Interest rate	Additional cost
		Percent	
Oct. 14, 1953.....	\$360,000,000	2½	\$3,600,000
Dec. 7, 1953.....	450,000,000	2½	3,400,000
Jan. 15, 1954.....	350,000,000	2½	2,187,500
Total.....			9,187,500

"That this operation has cost the Government considerably more money is confirmed by the fact that the issues were very heavily oversubscribed, in spite of the interest rate having been reduced on each successive issue by the CCC.

"It should also be noted that these interest rates are higher than the 2-percent rate which the Treasury charged the CCC for the last money it borrowed from the Treasury (\$5 million on October 1, 1953, for a 9-month note). These added costs will be charged in some way to the farm price-support program.

"In addition, the operation caused an indirect increase of nearly \$100 million in the cost of Treasury financing. Because bankers were so attracted to the certificates of interest at the high rates, they stayed away from the regular Treasury issues of short-term bills, forcing the Treasury to raise the rates on those issues.

"In the 2-week period ending October 14 (the date of the first CCC offer of \$360 million certificates) weekly reporting Federal Reserve member banks reduced their holdings of Treasury bills by \$304 million. The December 1953 Monthly Review of the Federal Reserve Bank of New York states: 'The possibility that the CCC would soon offer another large amount of certificates of interest tended to depress the bill market. Average yields on the third and fourth issues of Treasury bills during the month, the issues dated November 19 and 27, were 1.433 percent, respectively.'

"Average annual interest rates on new issues of Treasury 91-day bills which had reached a low of 1.220 percent on October 29 climbed to 1.687 percent on the bills dated December 17. This represents an increase of almost one-half of 1 percent per annum in interest. The Treasury borrows \$1.5 billion every week through bill sales. An increase of one-half of 1 percent paid in refinancing the total of Treasury bills outstanding for 1 year would cost \$97.5 million.

"Thus, the total cost to the Government, and hence to the taxpayers, is—

"Cost of higher interest paid on CCC pools.....	\$9,197,500
Annual cost of higher interest forced on Treasury.....	97,500,000
Total additional cost.....	106,697,500

"In addition, it should be noted that the Administration raised interest rates on CCC price-support loans to farmers last March from 3½ to 4 percent, and gave to the banks who act as CCC fiscal agents all the benefit of the raise.

"A serious matter of public policy is involved. There is great doubt that Congress or farm groups ever intended the CCC to engage in its own financing, such as it is doing by the certificates of interest, and there are equally great doubts that it is advisable, aside from its extra cost to taxpayers."

When they ask for bids for money the investors run from one to the other, and there will be a race, going up on the Commodity Credit Corporation; going up on the Federal Government. I do not think this House wants to vote to put two agencies of this Government in competition with each other in obtaining funds in the open market, where the interest rates will be increased on one and then increased on the other. Gentlemen, I submit to you this bill needs this safeguard. It will not prohibit the Commodity Credit Corporation from borrowing money if it wants to in the open market.

The CHAIRMAN. The time of the gentleman from Texas has expired.

(By unanimous consent, Mr. PATMAN was granted 2 additional minutes.)

Mr. PATMAN. Under this amendment they can still—I am yielding there—I am going further than I like to go, but this amendment is generous. This says the Commodity Credit Corporation can still go into the open market and borrow money, but it cannot pay over 25 percent more in interest. Are you going to vote to let them pay more than 25 percent in the open market, more than they can get the same money from the Treasury, when the Treasury gets it from the open market? If you vote against this amendment you vote to allow the Commodity Credit Corporation to pay 200 percent more, and it will, than it would have to pay to the United States Treasury.

This amendment is liberal. It permits the Commodity Credit Corporation to operate in the open market and pay not more than 25 percent more than they would have to pay to the United States Treasury. So I ask you in all fairness to consider this amendment and vote for it, because it is a necessary part of this important bill.

The CHAIRMAN. The time of the gentleman from Texas has again expired.

Mr. WOLCOTT. Mr. Chairman, inasmuch as the subject matter of this amendment is almost identical with the one just acted upon, I ask unanimous consent that all debate on this amendment and all amendments thereto close in 10 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Michigan?

There was no objection.

The CHAIRMAN. The gentleman from Pennsylvania [Mr. GAVIN] is recognized.

(Mr. GAVIN asked and was given permission to revise and extend his remarks.)

Mr. GAVIN. Mr. Chairman, I want to say that, in my opinion, in this subsidy program—and I am inserting in the RECORD four articles recently appearing in the Pittsburgh press—that big farmers, not the little farmers, are the ones reaping the greatest benefit. I am all out to help the small farmer at any time he needs help, but when the big commercial farmer is producing for the Government rather than the American consumer, "I'm agin it." The question is, Do these programs help the average American farmer or the big commercial farmers, the great wheat and corn growers, and others who get subsidies of thousands of dollars? Who are we helping? The newspaper articles I have inserted indicate who is getting the subsidies.

As far as my State, which was referred to, I might say up in Jefferson County in my district, a mine has just closed. It has been in operation for years. Four to six hundred men have been thrown out of work. The miners have made their last trip in and there is no possible chance for immediate employment. It will become a distress area, but they do not come down here to the Department of the Interior crying the blues and it is questionable what help they would get if they did. They are entitled to consideration and help as much as anyone else. Why not subsidize coal? It is just as important as anything else. But every time an agricultural program comes up for consideration you are in here all together, a coalition, putting it through. I am proud of my State and my district. My State of 10 million sent 1,400,000 men and women into World War II. We produced 30 to 35 percent of all the war materials. We do have difficulties, particularly in the coal industry, where we have real problems. If any Member from a farm State had an area where 400 to 600 farmers were suddenly flattened out, they would be given, I am sure, consideration and they would be entitled to it, so there are other branches of our economic life that might be considered for subsidy programs such as coal if these programs are going to be continued.

[From the Pittsburgh Press of February 9, 1954]

ONE CHECK PAYS \$183,510—UNITED STATES WHEAT SUBSIDIES GIVE BIGGEST BENEFITS TO WEALTHY GROWERS—EFFICIENT FARMERS WOULD STILL PROFIT UNDER CHANGES SUPPORTED BY PRESIDENT

(By George Thiem)

(George Thiem, who heads the Springfield, Ill., bureau of the Chicago Daily News, is a nationally known authority on agriculture. A farm owner himself, Mr. Thiem was a writer for farm journals before joining the Chicago Daily News staff 13 years ago. Thiem's vigorous reporting about newspaper editors on Illinois State payrolls won a Pulitzer award for the newspaper in 1949. This is the first of three articles.)

CHICAGO, February 9.—Big western wheat growers are collecting important money—one got a quarter of a million dollars—on a single

crop under the 90-percent-parity-price loan program.

They have been selling wheat that cost 80 cents or less a bushel to raise to the Government—the highest bidder—for \$2.14 a bushel.

The wheat-subsidy program, from which wealthy growers get the most benefit, has cost the taxpayers \$95,127,450 in losses during the 20 years ended June 30, 1953.

The figures are taken from the operations report of the Commodity Credit Corporation as of June 30, 1953, issued by the Department of Agriculture.

POTENTIAL LOSSES

Potential losses on the 1953 crop, of which 431 million bushels were under price supports December 15, are expected to push in-the-red figures well over \$125 millions.

President Eisenhower and Secretary of Agriculture Benson are pleading with Congress to return to the flexible price-support program to avoid piling up more tax-eating surpluses.

The leading farm organizations, sensing a public demand to cut farm subsidies and balance the Federal budget, are supporting the administration.

They are opposed by politicians in Congress, many from the big wheat States, who are attempting to continue a wartime measure—high price supports—adopted to stimulate production when our allies were crying for food.

In the wheat country east of Denver, Colo., the 10 top 1952 crop wheat loans for Adams and Arapahoe Counties varied from \$261,091.14 down to \$28,379.12, the Chicago News survey revealed.

RECORDS QUOTED

The figures taken from the records in the local agricultural stabilization and conservation offices in these two counties appear in the following table:

Producer	Bushels under loan	Amount of loan
Monaghan Farms Co.	122,578.00	\$261,091.14
Jeff Drohan.	25,112.72	50,529.60
J. A. Shochbrook.	22,068.00	47,323.25
Box Elder Farms Co.	22,015.87	44,378.63
Alfred and James Linnebur.	19,578.00	41,927.09
Schmidt Bros.	18,037.00	38,599.18
Moffitt Bros.	16,576.45	33,484.12
J. E. Wickham & Sons.	14,821.00	31,919.33
Halverson Bros.	15,069.57	30,289.84
Melvin Anderson.	14,049.07	28,379.12

All of the loans were written off when the owners delivered the grain to the Government.

Had the price gone up above the loan figure, the growers would have sold the wheat and paid off the loan, pocketing the profit.

TAXPAYERS TAKE LOSS

When the price fails to rise or goes down, as usually happens, the taxpayers take the loss. The Government is left with the wheat to dispose of as best it can.

Under the program changes currently being advocated by President Eisenhower and Secretary Benson, wheatgrowers would still get a \$1.78-per-bushel loan (75 percent of parity) under surplus conditions.

Such a loan would still enable the producer to make a handsome profit on efficient farms.

Losses to the taxpayers, however, would be cut sharply if not eliminated. To get the loan, the grower would have to observe his acreage allotment.

ESTIMATE OF PRICES

Grain market experts estimate that without a Government loan, current wheat prices would average \$1.60 to \$1.75 a bushel.

In years of short crops, desirable grades would possibly rise to parity (\$2.45 a bushel) or higher just as hog prices currently—with-

out Government intervention—are selling well above parity.

In the Pacific Northwest, the Government wheat loan is a bonanza for producers of the club wheat common to that area.

The January report from Washington revealed that Washington, Oregon, and Idaho doubled the volume of 1953 wheat put under Government seal compared to 1952.

BIG BENEFITS

Top Benson County, Wash., producers (on the south-central border) drew up to \$183,000 in wheat loans on the 1952 crop. The biggest check for \$183,510.36 went to Horrigan Farms, Prosser, Wash., on a delivery of 82,490 bushels.

McWhorter & McWhorter, of the same county, drew checks totaling \$93,599.72 on 43,205 bushels placed under seal.

In Whitman County, near Spokane, L. C. Staley drew a Government check for \$121,953.09 on his 1952 crop of 57,850 bushels.

Floyd F. Fields did almost as well—\$101,723.77 for the 50,783 bushels he put in a Government-approved warehouse.

Another big loan was that to Edgar W. Smith & Sons, \$89,529.60 on a volume of 42,592 bushels.

[From the Pittsburgh Press of February 10, 1954]

LITTLE GUY GETS ATTENTION, BUT BIG WHEAT GROWERS LAP UP MILLIONS—ONE TEXAS FARMER DREW \$64,320 CHECK; SURPLUSES REVEAL PROGRAM OVEREXTENDED

(By George Thiem)

(Second of a series)

CHICAGO, February 10.—The halls of Congress ring with the plight of the little farmer, but big growers are lapping up millions of the taxpayers' money in wheat subsidies.

In Texas, normally a big wheat State, 10 growers in Sherman County, located in the wheat-growing Panhandle, averaged nearly \$30,000 on their 1952 crop despite the drought.

One grower, R. C. Buckles, of Stratford, Tex., drew a \$64,320 Government check on 32,000 bushels. He later delivered the wheat to the Commodity Credit Corporation to become part of the 1,760-million-bushel supply of which about half is surplus.

Here is a list of these big loans:

Grower	Bushels under loan	Amount of loan
R. C. Buckles.	32,000	\$64,320.00
B. L. Smith.	15,351	30,396.31
Kenneth Borth.	15,501	31,158.36
Paul Addell.	11,485	23,059.19
Leroy Judd.	12,540	28,609.43
Frank Judd.	12,540	28,576.77
Haile Brothers.	11,586	23,288.86
M. Dortch.	10,315	20,734.15
Do.	10,315	20,733.81
W. N. Price.	11,396	23,133.88

(When wheat prices rise beyond the Government loan figure, the growers can sell the wheat, pay off the loan, and pocket the profit. But when the price fails to rise, or goes down, as often happens, the taxpayers take the loss. The Government is left to get rid of the wheat as best it can.)

The wheat program was started in 1933 as a depression emergency program, with the Government paying low, flexible price supports.

During World War II the program was stiffened.

The Government began to pay supports at the rate of 90 percent of parity in order to stimulate production to aid our Allies.

The wheat program has been continued long after the need for it ceased to exist, ever-mounting surpluses reveal.

NINETY-MILLION-DOLLAR LOSSES

In the 6 years ended June 30, 1953, wheat program losses of the CCC totaled nearly \$90

million. An additional \$25 million may be lost on 1953 crop wheat of which the Government is holding the bag on 431 million bushels.

For the 20-year period since the program began, losses on wheat alone totaled \$95,127,-450.

During this period, price support losses—on all crops and commodities—totaled \$1,110,136,889.

Figuring the Government loss at 50 cents a bushel on the huge wheat surpluses it now holds, the Sherman County growers in the accompanying list were subsidized to the extent of \$5,000 to \$16,000 per farm on their 1952 crop.

In Dallam County, Tex., the top loan went to J. E. Crabtree of Conlen.

His Government wheat check totaled \$40,-200. Mr. Crabtree and L. J. Schmidt, of Daihart, who drew \$35,314.44 on 17,311 bushels, delivered the wheat to the Commodity Credit Corporation in satisfaction of the loan.

Twenty other big wheat growers in Dallam and Hartley Counties drew checks varying from \$15,000 to \$32,526 on their 1952 wheat fields.

DROUGHT CUT LOANS

If West Texas had received timely rains in 1952 needed to produce a bumper crop, the yields and Government loans would have been much greater.

Are 90 percent parity price loans necessary for Great Plains wheat growers to make a profit?

Prof. George Montgomery, head of the department of economics and sociology at Kansas State College, Manhattan, says "no."

In a recent study of wheat growing in dry southwestern Kansas where the summer-fallow system (one crop in 2 years on the same field) is practiced, Mr. Montgomery calculated production costs at less than 80 cents a bushel.

Similar studies in eastern Kansas, southern Indiana and southern Michigan revealed a range of wheat yield costs of from \$1.50 to \$1.75 a bushel.

Based on his studies of wheat costs, Mr. Montgomery observed:

"The system of price supports which has been established for wheat has not resulted in output being obtained from the lowest cost producers. * * *

"The level of price supports (90 percent parity) prevailing at present, is well above the level necessary to call forth a volume of wheat production to meet adequately the domestic need for human food."

[From the Pittsburgh Press of February 11, 1954]

"SUITCASE FARMERS" REAP PROFITS—SUBSIDY PROGRAM SPURS WHEAT GROWING IN HIGH-COST AREAS—NEW INDUSTRY OF RAISING GRAIN FOR UNITED STATES FORCING \$200 MILLION LOSS ON TAXPAYERS

(By George Thiem)

(Last of a series)

CHICAGO, February 11.—The war-born Government wheat subsidy has stimulated wheat growing in high-cost areas all over America. This has increased the demand for price-support protection.

Because the Commodity Credit Corporation (CCC) is the highest bidder, a record 431 million bushels of 1953 crop wheat had been put under loan on purchase agreement by December 15, 1953.

The loan period ended January 31, 1954, and the final figures are not yet available.

The taxpayers are facing a potential loss of \$200 million and more on this wheat on which the Government is pledged to take delivery April 30.

PLANTING EXPANDED

Only a severe 1954 drought and resulting low yield can save the Government from a

loss that would exceed the accumulated deficits of the previous 20 years.

Under the stimulus of high-price supports, bread grain planting has expanded from its natural low-cost habitat in the Great Plains and Pacific Northwest States, into the rich Corn Belt of the Middle West.

Growing wheat to sell to the Government is a new industry in some parts of the East. Even the South is getting into the act.

You have the example of a 1,500-acre New Jersey dairy farm south of New York City growing 1,000 acres of wheat for the Government.

Because wheat can be grown with minimum labor, acreage jumped in Illinois, Indiana, and Ohio in 1953, according to figures released by the Agricultural Stabilization and Conservation Administration.

Where these States put only 9.3 million bushels of wheat under loan in 1952, they applied for and got the guaranteed price on 46.7 million bushels on the 1953 crop.

Of course, wheat under loan is not the best comparison of acreage. Higher open market prices in 1952 had made the loan less advantageous to producers.

Actual acreage in the three States was reported by the Government as 5,634,000 in 1952 and 6,135,000 in 1953, an increase of 501,000 acres.

MIDWEST CUT SHARPLY

The Midwest States were cut sharply in the 1954 acreage reduction program because of their recent expansion.

Practically all of this 1953 wheat crop pledged to the Government, it is expected, will be delivered to the CCC this spring to satisfy the loans and purchase contracts.

All this means that taxpayers' money is being used to promote competition in wheat-growing on \$400 to \$500 an acre land. It can be raised more efficiently on the \$25 to \$50 an acre soil of Kansas, eastern Colorado, western Oklahoma, Texas, the Dakotas, Montana, Washington, Idaho, and Oregon.

Thus the dryland States, where wheat is one of the few crops that can be grown successfully, are faced with hundreds of thousands of new competitors piling up more surpluses.

These stockpiles of wheat bear down on domestic and world price at a time when normal production has returned to such war-torn areas as France, Italy, Germany, Russia, and Eastern Europe.

President Eisenhower and Secretary of Agriculture Ezra T. Benson are currently asking Congress to take another look at the wheat picture.

They are not demanding an end of price supports. They chose the moderate course of recommending a return to the flexible-loan program of 1949.

This would allow surpluses to find more normal outlets in world trade and for live-stock feed.

COMMONSENSE

The President and Secretary are attempting to restore what they and thousands of thoughtful wheat growers regard as a commonsense price-support program.

Instead of the current national average support price of \$2.21 a bushel (90 percent of parity), in time of huge surpluses, as at present, the support price would be dropped to about \$1.70, or 75 percent of parity.

The Chicago Daily News survey disclosed that wealthy wheat growers in the West are getting the big money out of wheat subsidies.

Many of these dryland producers are called suitcase farmers because of their habit of staying on the land only long enough to put in the fall crop, planted usually in October in the Southwest.

Many then leave to spend the winter in California or Florida, returning in late May and June to hire big combine harvesters to bring in the golden grains.

The facts revealed that the bulk of Middle West and eastern wheat growers are little

farmers who derive most of their income from other sources.

They would not be hurt economically by a flexible price-support program.

H. Earl Propst, New Jersey stabilization and conservation administrator at New Brunswick, said many potato growers in that State turned to wheat growing after Congress voted to end potato subsidies.

He reported: "The majority of our wheat growers are now equipped to handle wheat production," indicating recent purchase of drills and combine harvesters.

[From the Pittsburgh Press of February 12, 1954]

IT'S TAXPAYERS' MONEY—SEVEN HUNDRED AND FIVE THOUSAND SEVEN HUNDRED AND FIVE DOLLARS COLLECTED BY WHEAT GROWER IN ONE SUBSIDY CHECK—OTHER KANSAS FARMERS ON GRAVY TRAIN NET PAYMENTS FROM \$200,000 TO \$20,000

(By George Thiem)

CHICAGO, February 12.—Big Kansas wheat growers had a front seat on the gravy train carrying Federal 90 percent parity price-support loans on the 1952 crop.

One got a Government check for nearly three-quarters of a million dollars, a Chicago Daily News investigation disclosed.

The biggest beneficiary yet uncovered is Garvey Farms of Greeley and Thomas Counties in the extreme western part of the State.

In Greeley County, Garvey Farms got four loans totaling \$89,949.94 on 37,668 bushels of warehoused wheat. In Thomas County, the loan of \$615,755.23 on 260,486 bushels brought the total to \$705,705.17, an estimated \$150,-000 of which will come out of the taxpayers' pockets.

The estimated cost to the taxpayers is based on the current export wheat subsidy of 52 to 53 cents a bushel.

CURB ON SELLING

According to expert grain sources at Kansas City, the Government isn't permitted to sell wheat domestically below the loan price plus 5 percent.

However, it is authorized to subsidize exports. To meet world competition, exporters are taking Government subsidies, thus working off surpluses into foreign channels and strengthening the home market.

Informed sources feel that United States market prices would fall around 50 cents a bushel if free trade were restored.

Wheat at Kansas City this week was selling (for No. 1 hard) at \$2.35 a bushel, or 15 cents under the Government loan price.

At country points in extreme western Kansas, the loan price of \$2.13 to \$2.14 on farm-stored wheat reflects the differential due to freight and handling charges.

Numerous western Kansas wheatgrowers fattened on subsidy loans varying from \$200,000 down to \$20,000, the Chicago Daily News survey disclosed.

NINETY-FIVE MILLION DOLLARS LOST

These subsidies figured in the 20-year loss of \$95,127,450 on wheat supports since 1933.

Nearly \$90 million of this came in the 6 years prior to June 30, 1953, when Congress and the administration failed to allow the flexible-loan program with its more reasonable price supports to go into effect.

To what extent the big wheatgrowers fattening at the public trough pressured Congress into continuing high price supports in the face of a slackening world demand is still to be revealed.

Next to Garvey Farms, the fattest Government wheat check in Greeley County went to Coupland Bros. The payment was \$201,598.85 on a delivery of 94,466 bushels.

Another grower who hit the jackpot was C. Wilbert White, of Goodland, Sherman County, whose take was \$142,354.28 on 65,556 bushels.

Mr. White delivered the 1952 crop wheat to the Government in cancellation of the loan. The Government still has the wheat.

It is not permitted to sell it on the home market because the free market price is below the loan price. To sell it abroad, it pays a subsidy of 52 to 53 cents a bushel.

Duane Schneider, of Tribune, Kans., sold his 30,068 bushels of wheat to the Government for \$75,186.02, delivering the bread grain at the end of the loan period to cancel the contract.

The CHAIRMAN. The time of the gentleman from Pennsylvania has expired.

The gentleman from Minnesota [Mr. MARSHALL] is recognized.

(Mr. MARSHALL asked and was given permission to revise and extend his remarks.)

Mr. MARSHALL. Mr. Chairman, last summer the President of the United States asked the Congress to act upon the statutory debt limit. I supported the President as did many other Members of this body to increase the statutory debt limit. The other body did not see fit to act upon that particular measure, so we find that we have had some things happen in the matter of trying to carry on the financing of our Government.

I have asked repeatedly how much the failure to act upon raising the statutory debt limit has cost the taxpayers of this country. If there is any Member of this body who can give me that information I certainly will appreciate it. I have not been able to find out in dollars and cents how much that has cost or will cost.

I do have a letter in my hand from the Secretary of the Treasury talking about this matter. The financing of the Commodity Credit Corporation paper. I am going to cite a few figures from that letter:

In October 25 CCC certificates of interest sold at 2½ percent interest.

On December 17 CCC certificates of interest sold at 2¼ percent interest.

On February 2 CCC certificates of interest sold at 2⅓ percent interest.

Every one of these loans was greatly oversubscribed, up to 8 and 10 times the amount that was offered.

On October 28, CCC borrowed \$360 million.

On December 17, CCC borrowed \$450 million.

On February 2, CCC borrowed \$350 million.

I do think that it is particularly interesting to note the closing line of his letter to me:

The increase in the cost of this financing is due to the limitation of Treasury borrowing under the existing debt limit.

If you figure this at one-quarter percent increase in interest which is the lowest amount that could be considered, I am sure it is costing the taxpayer \$2,900,000 yearly. That is no small sum. This should not be charged to the farmers of the United States. It is not their responsibility.

The CHAIRMAN. The Chair recognizes the gentleman from New York [Mr. MULTER].

(By unanimous consent, Mr. McCarthy yielded his time to Mr. MULTER.)

The CHAIRMAN. The gentleman from New York [Mr. MULTER] is recognized for 4 minutes.

Mr. MULTER. Mr. Chairman, may I take half a minute to refer to the challenge that was made during the course of general debate when the gentleman from Minnesota [Mr. AUGUST H. ANDRESEN] challenged the statement of the gentleman from New York now addressing you that the Secretary of Agriculture, Mr. Benson, had spent \$2,018 of animal research funds for rehabilitating a cottage which he personally used for himself and his family. I think he then left the floor, or at least I did not observe the gentleman from Minnesota [Mr. AUGUST H. ANDRESEN] on the floor.

Then the gentleman from Minnesota [Mr. H. CARL ANDERSEN] read from the hearings before the Appropriations Subcommittee on Agriculture and sustained the charge I made quoting Mr. Secretary Benson as admitting that he used that amount of money out of the animal research fund.

Now may I go on to the matter before us. Let us not get this issue confused, you in the farm bloc on both sides of the aisle, if you reject this amendment as you rejected the amendment offered by the gentleman from Kentucky [Mr. SPENCE], are going to be voting as has already been indicated to you, to increase the cost of this program to the farmer, to the consumer, to all the taxpayers. This manner of operation of borrowing by the Commodity Credit Corporation is illegal, it is unlawful, it is contrary to existing law and it has been frowned upon by the General Accounting Office, by the Budget Director and by the former Secretary of the Treasury. The only excuse for it can be that you want to exceed the debt limit. Now, if you want to exceed the debt limit, and you had to do it last year, let us increase the debt limit. Let us not try to go through the back door and saddle on the taxpayers and the farmers and the consumers what has already amounted to in excess of \$108 million in the floating of over a billion dollars worth of certificates. Those are not the certificates that the Commodity Credit Corporation issues to the banks that make the loans to the farmers. These certificates that the Secretary of Agriculture is now selling illegally are being sold to the big bankers who are not in this program, who are not lending money to the farmers; but they are giving the Secretary of Agriculture through the Commodity Credit Corporation the proceeds of the certificates of interest which he in turn gives to the little banker who is lending the money to the little farmer. If that is what you want to do, then vote down the amendment. I am sure you do not want to be charged with selling out the farmer to the moneychangers. That is what you would do if you reject this amendment.

Mr. MILLER of Kansas. Mr. Chairman, will the gentleman yield?

Mr. MULTER. I yield to the gentleman from Kansas.

Mr. MILLER of Kansas. I would like to know what the gentleman means by the statement that the Secretary is selling these obligations illegally?

Mr. MULTER. The law provides he may borrow money for the Commodity Credit Corporation only through the Treasury, only through the United States Treasury. Instead of doing that he is bypassing the United States Treasury with Mr. Humphrey's approval and issuing certificates to the bankers for their money which he then uses to run this program instead of getting his money through the Secretary of the Treasury.

The CHAIRMAN. The time of the gentleman from New York has expired.

(Mr. MULTER asked and was given permission to revise and extend his remarks.)

The CHAIRMAN. The Chair recognizes the gentleman from Michigan [Mr. WOLCOTT].

Mr. WOLCOTT. Mr. Chairman, the gentleman from New York better check up on his facts before he charges that the Secretary of Agriculture is doing an illegal act because if that is so there is ample precedent for it running away back to 1934. We would have to assume that every Secretary of Agriculture has been violating the law since that time.

To get down to the point here, this amendment, as I understand it, is nearly identical in its purpose to the one that the House just voted down. In a similar manner it would in practice limit the local banks from participating in these loans. Where would a local farmer go for service on these loans? Where should he go other than to his local small town bank for service on these loans?

Now, do not be misled by the 25 percent. It is 25 percent of the rate of interest paid by the Treasurer of the United States on the most recent obligations of the United States of comparable maturity. The issue that would comply with that criteria are the 2½ due August 15, 1954. So you have to take 25 percent of 2½. Can you imagine any bank with that limitation, on that small margin which constitutes an almost infinitesimal return on its investment, being able to participate in this program?

Mr. Chairman, this amendment should be defeated overwhelmingly.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Texas [Mr. PATMAN].

Mr. PATMAN. Mr. Chairman, I ask unanimous consent that the amendment be reread by the Clerk.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

The Clerk reread the Patman amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Texas [Mr. PATMAN].

The question was taken; and on a division (demanded by Mr. MULTER) there were—ayes 73, noes 109.

So the amendment was rejected.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

Sec. 2. Section 4 (i) of the Commodity Credit Corporation Charter Act (62 Stat. 1070), as amended, is amended by striking

out "\$6,750,000,000" and inserting in lieu thereof "\$8,500,000,000."

[Mr. JAVITS addressed the Committee. His remarks will appear hereafter in the Appendix.]

Mr. HARVEY. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I have listened with a great deal of interest to the debate this afternoon, particularly the point that seems to be the greatest question in the minds of those of consumer districts. They wonder just where this program is going, why we are in the predicament we are in, and if there is any hopeful future for it.

Whether you are in sympathy with the program or not, we must start from where we are. We got into this predicament because the prior Secretary of Agriculture—and I am not challenging his judgment; he might have been proved to be right—thought we were going to get into an all-out war in 1950 after the outbreak of war in Korea. He urged all-out production, particularly of basic commodities such as wheat and cotton.

What we have today is the result of the urgency of production. It is an unnatural surplus, not a normal accumulation. The wheatgrowers and the cottongrowers, and they are the two commodities of the basics that are experiencing the greatest trouble right now, have voluntarily started cutting back production so that they can bring their production in line with the consumption demands. Take wheat, for example. Because of the demands for the war and the postwar programs we increased our production of wheat until we are now producing about 1 billion to 1.1 billion bushels of wheat per year. We have an actual cash market for about half of that here at home, and about 300 million bushels abroad, which means we have around 200 to 300 million bushels capacity production after the cash market has gone. So what we are doing is saying to the farmer you must decide whether you will cut back your acreage and get your production in line with the demand as of now or have the support program virtually eliminated. So I think that is an effective answer without prejudice to those who are wondering what is going to be the outcome of these farm programs. Obviously, too, the farmers are operating on an annual basis, and they cannot change their production and cut back production as quickly as in many of our industrial assembly lines. But the goal will be achieved, and I think it should be looked forward to on that basis. The legislation which we are now considering should be regarded on just that basis, too.

Mr. McCARTHY. Mr. Chairman, I move to strike out the last word.

(Mr. McCARTHY asked and was given permission to revise and extend his remarks.)

Mr. McCARTHY. Mr. Chairman, I think the gentleman from Indiana has attempted to indicate to us something of what we can expect in the way of a Republican farm program. I hope some of the members of the Department of Agriculture will also try to clarify what

they are recommending. In the hearings on this bill the Secretary of Agriculture appeared and said, in effect, that this high price-support program, this 90 percent, really does not mean anything. He said:

Do you know that there is 90 percent support on corn, but corn is actually bringing in 79 percent of parity in the market?

A little later Under Secretary Morse appeared, and he said:

I will give you a dramatic example of what happens when you have high fixed price supports.

He said pork is selling at 120 percent of parity. So I said to him:

You know that the Secretary said corn was selling for 79 percent of parity. How low do you wish to bring the price of corn in relation to parity in order to bring the price of pork down to 100 percent of parity?

It seemed to me that that was a fair question, since the Secretary had said that 90 percent does not mean 90 percent because corn was selling at only 79 percent of parity, and the Under Secretary said that pork was selling at 120 percent of parity because the price support of corn is too high. If there is any good Republican who can understand the remarks of another Republican on farm policy, I would like an interpretation of this answer. Here is my question:

How low do you estimate you are going to have to reduce the price of corn to bring pork down to 100 percent of parity, which seems to be your objective?

And here is what Mr. Morse answered:

The inducement is in the direction when the farmer has the choice of storage for Government support prices.

I will read that again, on page 92 of the hearings. The question is:

How low are you going to have to reduce the price of corn to bring pork down to 100 percent of parity?

And the answer:

The inducement is in the direction when the farmer has the choice of storage for Government support prices.

Then we went on a little further; and this is what he said, talking of this new program. He said:

The response that you would get would be that you would bring both corn and hogs nearer to the 100-percent level.

I said:

Do you mean that if we had a program which was flexible that the cost of corn would rise, and that would have the effect of lowering the price of pork?

Mr. Morse said:

The long-run effect would be—

I said:

This is a new economic theory to me, but I hope you can make it work.

Then I asked him:

How long a run would this take?

Mr. HAYS of Ohio. Mr. Chairman, will the gentleman yield?

Mr. McCARTHY. I yield.

Mr. HAYS of Ohio. The gentleman is just giving graphic proof why the gentleman from Pennsylvania [Mr. GAVIN] wants to give them another year; is he not?

Mr. McCARTHY. I will say to the gentleman I think the Republicans should want to have the Secretary stay another year. I do not know whether it would be good for the country or good for the farmers.

Mr. Chairman, I yield back the balance of my time.

Mr. WOLCOTT. Mr. Chairman, I ask unanimous consent that we may return to section 1 for the purpose of offering an amendment.

The CHAIRMAN. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. WOLCOTT. Mr. Chairman, I offer an amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. WOLCOTT: On line 3, after the word "that", insert "(a)"; and immediately following line 5, insert the following new subsection:

"(b) (1) The first section of such act is amended by striking out the following: 'or insofar as practicable, the average market price of such assets during the last month of the fiscal year covered by the appraisal, whichever is the lower.'

"(2) Such section is further amended by adding at the end thereof the following: 'Such capital impairment shall be restored with appropriated funds as provided herein rather than through the cancellation of notes.'

Mr. PATMAN. Mr. Chairman, I reserve a point of order on that. May I ask the gentleman—this is a surprise to me. I did not know anything like that was contemplated and, therefore, I did not object.

Mr. WOLCOTT. If there is any objection to it, we will not put it in.

Mr. PATMAN. I do not know what it is. I know it is something I did not have any knowledge of. If the gentleman from Kentucky [Mr. SPENCE] says he knew about it, that is all right.

Mr. SPENCE. I see no objection to it.

Mr. PATMAN. I withdraw the reservation of the point of order, Mr. Chairman.

The CHAIRMAN. The gentleman from Michigan [Mr. Wolcott] is recognized on the amendment.

Mr. WOLCOTT. If there is going to be any objection to it, I think I should make a statement about it in support of the amendment.

I may say this amendment will bring this bill in harmony with the action of the Senate. In fact, unless the bill is amended in other respects, it will be identical with the Senate bill, so that we will not have to go to conference on it.

The Corporation is to be reimbursed for the capital impairment resulting from net realized losses, only the reimbursement is to be accomplished by appropriation rather than note cancellation. That is about all there is to it.

In my extension of remarks I will place in the Record a statement more in detail as to what the amendment provides. It is as follows:

The first part of the amendment changes existing law with respect to the appraisal of the assets of the Corporation by providing that the appraisal be based on the cost of the assets to the Corporation rather than on the basis of

lower of cost or the average market price of the assets during the last month of the fiscal year covered by the appraisal. The effect of this amendment is that the Corporation would be reimbursed for capital impairment on the basis of net realized losses sustained as reflected on the books of the Corporation as of the close of the fiscal year. In addition, under this amendment the Corporation would make payments to the Treasury in those cases where the books of the Corporation at the close of the fiscal year reflect net realized gains.

Therefore, under this amendment the Secretary of the Treasury would determine the impairment of the Corporation's capital as of June 30, 1954, and each year thereafter on the basis of net realized gains and losses as shown in the Corporation's accounts. These accounts are subject to subsequent annual audit by the General Accounting Office under the Government Corporation Control Act of 1945, and any adjustments resulting from such audits would be included in the Corporation's accounts and financial statements in the following year. This should avoid any duplication of work between the Treasury and General Accounting Office.

As stated by the sponsor of the amendment during the debate in the Senate, it is clearly understood that the provisions of the amendment requiring consideration of net realized losses only in restoring capital impairment should not be retroactive. This is important because the note cancellation approved on February 12, 1954—Public Law 295, 83d Congress—included \$550,151,848 of the capital impairment of the Corporation as of June 30, 1953, of which \$435,868,786.75 represented estimated losses not yet realized as of June 30, 1953.

Under this amendment, if the net realized loss sustained by CCC during the fiscal year 1954 amounts to less than \$435,868,786.75 there would be no impairment of the capital as of June 30, 1954, and, therefore, no appropriation would be required. This amendment does not contemplate that any part of the \$435,868,786.75 would be repaid to the Treasury but would be used to offset any net realized losses of the Corporation in 1954 and future years. If the net realized loss sustained by the Corporation during fiscal year 1954 should exceed the \$435,868,786.75, then an appropriation would be required in the amount of such excess. This procedure would provide an orderly transition to the amended basis for restoration of capital impairment of the Corporation.

The second part of the amendment merely provides that reimbursement for capital impairment shall be accomplished by appropriation rather than by note cancellation.

Mr. O'HARA of Illinois. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I rise to express satisfaction with the action of the other body in voting this amendment. If my colleagues will refer to pages 96 to 101 of the public hearings they will find my colloquy with the Honorable True D. Morse on the morality of legislative action authorizing the payment of debt

by the questionable means of cancellation. I had ventured the opinion that it was not a moral thing to do, and although Mr. Morse did not agree with my concepts, and in his prepared reply to my contention questioned my statement of facts and my conclusions, I feel that the action of the other body has vindicated my position.

The Secretary of Agriculture, by the way, was not present when Mr. Morse and I engaged in conversation. I had hoped to have an opportunity to direct some questions to him on the matter of morality in legislation. Unfortunately the Secretary could not remain—understand I am not criticizing him—because of my lack of seniority it would have been a long time before I should have had an opportunity to address questions to the Secretary of Agriculture, he being a busy man, a Member of the Cabinet, and I, being in a very humble position, and the district which I represent being in the city of Chicago, presumably holding no interest for the Secretary of Agriculture. Hence I directed my questions in the area of morality in legislation to the Assistant Secretary.

I am very happy to have the proof furnished by this amendment already passed by the other body and now to be accepted by this body that my concept of what constitutes morality and immorality in legislation is the accepted concept of my colleagues.

I yield back the remainder of my time, Mr. Chairman.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Michigan.

The amendment was agreed to.

The Clerk read as follows:

SEC. 3. This act shall be effective July 1, 1954.

With the following committee amendment:

Strike out section 3.

The committee amendment was agreed to.

Mr. HALLECK. Mr. Chairman, I move to strike out the last word.

The CHAIRMAN. The gentleman from Indiana is recognized.

PROGRAM, MARCH 8 TO MARCH 20

Mr. HALLECK. Mr. Chairman, I have taken this time in order to announce the program for next week.

In view of the lateness of the hour we do not expect to call up the watershed bill we had thought might be disposed of today.

It will be my purpose to adjourn over until Monday after we have disposed of the pending bill.

Monday, March 8, we expect to call up H. R. 8127, the highway aid bill. If that can be completed without a record vote it will be completed on Monday. If there is to be a record vote we will endeavor to postpone that vote until Tuesday.

Tuesday: We want to call up H. R. 8149, the hospital survey and construction bill. It is possible we will find it advisable to come in early on Tuesday in order to complete action on the bill that day. I might say that we hope to complete the highway aid bill on Mon-

day and the hospital survey and construction bill on Tuesday.

Wednesday: We shall call up H. R. 8224, dealing with the extension of certain excise taxes and the reduction of certain other excise taxes. The rule grants 4 hours of debate on the bill. It is a closed rule about which I would not anticipate any controversy. So we expect to conclude action on that bill Wednesday.

Thursday we hope to call up H. R. 7103, the Officer Grade Limitation Act of 1954.

House Joint Resolution 461 which provides for certain appropriations dealing with the administration of the measure we passed having to do with Mexican farm labor;

H. R. 6788, the watershed bill. Possibly I should suggest that the watershed bill might be disposed of ahead of these others, although I think it might be well to understand, generally, that unless there is a specific reference to a particular date that a matter will be called, I do not want it understood that we are bound by the particular sequence in which the bills might be announced on the floor of the House.

Further than that and without undertaking to make definite commitments at this time but rather to give the membership the best possible advance information that I can, it looks to me now as if for the week beginning March 15 we will have on the floor probably on the 15th and 16th the civil-functions appropriation bill. We hope to follow that on Wednesday with general debate on the tax-reduction bill from the Committee on Ways and Means.

Wednesday happens to be St. Patrick's birthday and is a day of considerable importance to a number of the Members who want to make speeches here and there. I am quite certain that this arrangement for the opening of general debate on the tax-revision bill on that day will accommodate the Members who do have those commitments.

We would hope to conclude that bill on Thursday the 18th.

As to what other program there might be I do not know at the moment. It seems a reasonable prospect that this will be the program for the next 2 weeks.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. CANFIELD, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H. R. 7339) to increase the borrowing power of Commodity Credit Corporation, pursuant to House Resolution 459, he reported the bill back to the House with sundry amendments adopted by the Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

Is a separate vote demanded on any amendment? If not, the Chair will put them en gross.

The amendments were agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

Mr. MULTER. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. MULTER. I am, Mr. Speaker.

The SPEAKER. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. MULTER moves to recommit H. R. 7339 to the Committee on Banking and Currency with instructions to report the same back forthwith with the following amendment: Page 1, line 5, immediately following the figure "8,500,000,000" (and before the quotation marks which follow such figure) insert a colon and the following: "Provided, That the Corporation shall not issue any obligations (other than to the Secretary of the Treasury) at a rate of interest in excess of 25 percent of the rate of interest (or comparable cost) paid by the Treasury of the United States on the most recently issued obligations of the United States of comparable maturity, except that the provisions of this proviso shall not apply to lending agency agreements applicable to loans under a commodity loan program."

Mr. WOLCOTT. Mr. Speaker, I move the previous question on the motion to recommit.

The previous question was ordered.

The SPEAKER. The question is on the motion to recommit.

The question was taken; and on a division (demanded by Mr. MULTER) there were—ayes 58, noes 180.

Mr. MULTER. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were refused.

So the motion to recommit was rejected.

The SPEAKER. The question is on the passage of the bill.

Mr. JAVITS. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were refused.

The bill was passed, and a motion to reconsider was laid on the table.

TO INCREASE THE BORROWING POWER OF THE COMMODITY CREDIT CORPORATION

Mr. WOLCOTT. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (S. 2714) to increase the borrowing power of the Commodity Credit Corporation.

The SPEAKER. Is there objection to the request of the gentleman from Michigan [Mr. WOLCOTT]?

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That (a) section 4 of the act approved March 8, 1938 (52 Stat. 108), as amended, is amended by striking out "\$6,750,000,000" and inserting in lieu thereof "\$8,500,000,000."

(b) (1) The first section of such act is amended by striking out the following: "or insofar as practicable, the average market price of such assets during the last month of the fiscal year covered by the appraisal, whichever is the lower."

(2) Such section is further amended by adding at the end thereof the following: "Such capital impairment shall be restored with appropriated funds as provided herein rather than through the cancellation of notes."

SEC. 2. Section 4 (i) of the Commodity Credit Corporation Charter Act (62 Stat. 1070), as amended, is amended by striking out "\$6,750,000,000", and inserting in lieu thereof "\$8,500,000,000."

The bill was ordered to be read a third time, was read the third time, and passed.

The proceedings whereby a similar House bill (H. R. 7339) was passed were vacated.

A motion to reconsider was laid on the table.

CORRECTION OF ROLLCALL

Mr. SHAFER. Mr. Speaker, I ask unanimous consent to correct the RECORD. On rollcall No. 25 I am not recorded as having voted. I was present and voted "aye." I ask that the RECORD be corrected accordingly.

The SPEAKER. Is there objection to the request of the gentleman from Michigan [Mr. SHAFER]?

There was no objection.

ADDITIONAL APPROPRIATION FOR THE DEPARTMENT OF LABOR, FISCAL YEAR 1954

Mr. ELLSWORTH, from the Committee on Rules, reported the following privileged resolution (H. Res. 464, Rept. No. 1319), which was referred to the House Calendar and ordered to be printed:

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of House Joint Resolution 461, making an additional appropriation for the Department of Labor for the fiscal year 1954, and for other purposes. After general debate, which shall be confined to the joint resolution, and shall continue not to exceed 1 hour, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Appropriations, the joint resolution shall be read for amendment under the 5-minute rule. At the conclusion of the consideration of the joint resolution for amendment, the Committee shall rise and report the joint resolution to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the joint resolution and amendments thereto to final passage without intervening motion except one motion to recommit.

TO REDUCE EXCISE TAXES

Mr. ELLSWORTH, from the Committee on Rules, reported the following privileged resolution (H. Res. 465, Rept. No. 1320), which was referred to the House Calendar and ordered to be printed:

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H. R. 8224) to reduce excise taxes, and for other purposes, and all points of order against said bill are hereby waived. That after general debate, which shall be confined to the bill, and shall continue not to exceed 4 hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means, the bill shall be considered as having been read for

amendment. No amendment shall be in order to said bill except amendments offered by direction of the Committee on Ways and Means, and said amendments shall be in order, any rule of the House to the contrary notwithstanding. Amendments offered by direction of the Committee on Ways and Means may be offered to any section of the bill at the conclusion of the general debate, but said amendments shall not be subject to amendment. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion, except one motion to recommit.

OUR AMERICAN GOVERNMENT

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent for the immediate consideration of House Resolution 466.

The Clerk read the resolution, as follows:

Resolved, That there be printed 1,045 additional copies of Senate Document No. 52, 83d Congress, 1st session, entitled "Our American Government—What Is It?—How Does It Function?" for the use of Representative LESTER R. JOHNSON, of Wisconsin.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts [Mr. McCORMACK]?

Mr. HOFFMAN of Michigan. Mr. Speaker, reserving the right to object, does that refer to the Wright-Patman article?

Mr. McCORMACK. Yes.

Mr. HOFFMAN of Michigan. I withdraw my reservation of objection.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

The resolution was agreed to, and a motion to reconsider was laid on the table.

CORRECTION OF ROLLCALL

Mr. WILSON of Indiana. Mr. Speaker, I ask unanimous consent to correct rollcall No. 17. I was recorded as not voting. I was present and voted "aye," and I ask unanimous consent that the RECORD be corrected accordingly.

The SPEAKER. Is there objection to the request of the gentleman from Indiana [Mr. WILSON]?

There was no objection.

CONGRESSMAN JONES TELLS HOW HE WAS MISREPRESENTED BY STATE PRESIDENT OF LETTER CARRIERS ASSOCIATION

(Mr. JONES of Missouri asked and was granted permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. JONES of Missouri. Mr. Speaker, for the first time during the more than 5 years that I have served as a Member of this body, I have this week experienced a reprehensible action brought about by the State president of the National Association of Letter Carriers, who apparently has been deliberately and mali-

ciously misrepresenting to members of that organization residing in the 10th Missouri District my position on the proposed postal employees pay increase bill, based upon an interview which took place in my office some weeks ago.

Apparently this character is of the opinion that by deliberately circulating a falsehood and by giving impetus to the big lie he can arouse the members of his organization who reside in my district to put the pressure on this Representative to cause me to capitulate to the demands of the union which he represents.

I was fair in explaining my position to the State president, and while I did not agree that I would go down the line and support any measure that his group demanded, and explained that it was my policy to refrain from endorsing any specific bill until after it had been considered and reported by the legislative committee to which it is referred, I did state that I would look favorably upon any proposed reasonable increase in the pay of postal employees that could be justified.

In view of the time and the courteous hearing that I gave to this delegation which did not include any representative from my district, I was surprised, amazed, and even shocked to receive in yesterday's mail a letter from Mr. Charles R. Ross, secretary of the Southeast Missouri District Association of the National Association of Letter Carriers, a letter stating that Mr. Ernest Holtz, of Sedalia, president of that association, has informed him that—

You said you were against the 5-day workweek for the postal employees; that we were being overpaid now and that you were against any increase in pay for postal employees at this time.

For the purpose of making my position clear, Mr. Speaker, I would like to read into the RECORD the letter of Mr. Ross, and also my reply to Mr. Ross' letter, directed to President Holtz, in which I review the statements made to Mr. Holtz and clarify my position in this matter.

The letter from Mr. Charles R. Ross, under date of March 2 and written from Farmington, Mo., on stationery of the Southeast Missouri District Association, National Association of Letter Carriers, reads as follows:

HON. PAUL C. JONES,
House Office Building,
Washington, D. C.

DEAR HONORABLE REPRESENTATIVE JONES: Mr. Ernest Holtz, of Sedalia, president of the Missouri National Association of Letter Carriers, informed us thus:

"You said you were against the 5-day workweek for the postal employees.

"That we were being overpaid now and that you were against any increase in pay for postal employees at this time."

We, as constituents of the 10th District desire to know the truth about this interview with Mr. Holtz, of Sedalia, and Mr. Levisay, of Paris, who was also interviewed.

May we have your true position in this matter?

Respectfully,

CHARLES R. ROSS, Secretary.
FARMINGTON, MO.

I am happy, Mr. Speaker, that Mr. Ross must have suspicioned that Mr. Holtz was not telling the truth and had not correctly reported his interview with

me, for you will note he says they "desire to know the truth," and in the last sentence asks if they may not have my "true position" in this matter.

Immediately upon receiving the letter from Mr. Ross, I wrote the following letter to Mr. Ernest Holtz, and have sent copies thereof to Mr. Ross and to other officials and representatives of the National Association of Letter Carriers residing in my district, and, furthermore, expect to see every member of that association, as well as other postal employees in the 10th Missouri District, have an opportunity of reading both Mr. Ross' letter and also my letter to Mr. Holtz, a copy of which follows:

MARCH 4, 1954.

MR. ERNEST HOLTZ,
President, Missouri National Association
of Letter Carriers,
Sedalia, Mo.

DEAR MR. HOLTZ: If, as indicated in a letter under date of March 2, 1954, from Mr. Charles R. Ross, secretary of the Southeast Missouri District Association, you have stated to anyone that I said that postal employees were being overpaid, you are guilty of circulating a falsehood, and furthermore you will recall that I stated that while I would not commit myself to any bill which had not been reported from a committee, I would give every sympathetic consideration to any reasonable increase which could be justified.

I did say that I thought there was merit in trying to work out a pay schedule based upon a cost-of-living scale; that what might be fair salary in a small town or village would be entirely inadequate in a large city like St. Louis, Kansas City, Detroit, or New York. I thought I made myself clear to you that I felt it was desirable to attempt to keep all Government pay schedules on a par with the wages in the community where the services were being performed, realizing of course that this has not and is not now being done.

I did say, and I repeat, that I have never been sold on a 5-day workweek for anyone, and I did not single out postal employees when I made this statement; in fact, you may remember that I said I was old fashioned and still believed in the Bible which says that 6 days shall we labor and on the seventh shall we rest.

From the letter which I have from Mr. Ross, it appears that you have deliberately and maliciously misrepresented my position, apparently because I would not agree entirely with your position and would not commit myself to supporting a bill which your organization had endorsed but which had not been heard by the House Committee on Post Office and Civil Service.

While I am always happy to hear from any of my constituents and to have the benefit of their views and suggestions and to listen when they feel that they have been mistreated and seek my assistance which I am always glad to give, I want them to know that their cause is not being helped by men of your type who apparently have the idea that they can bring pressure upon and browbeat Representatives into seeing things their way.

Assuring you that I intend to see that every member of your association is acquainted with the reprehensible but unsuccessful effort which you have made in trying to discredit my position in this matter, I am

Yours truly,

PAUL C. JONES,
Member of Congress.

EXCISE TAXES

(Mr. UTT asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. UTT. Mr. Speaker, the day is likely to come under a Republican administration when we can wipe out all of the excise taxes which have retarded American business and annoyed American taxpayers for so long. It is possible now to cut most of these taxes from 20 and even 25 percent to 10 percent without bankrupting the Government.

You will be able to make a long-distance telephone call without paying a quarter in taxes for every dollar it costs; take an airplane trip without shelling out from \$10 to \$50 in taxes; buy a pen or pencil, send a telegram, and even buy your son a baseball mitt for 50 percent less tax than you are paying now.

Just think, 20 cents is added to every dollar you now spend to buy your wife a ring or necklace. A \$300 fur coat is now taxed \$60, that will be reduced to \$30; if you buy a camera to take vacation pictures 20 cents is added to every dollar you spend just for taxes.

The same applies to electric light bulbs, a handbag for your wife, or a suitcase for the kids going away to school. Add it all up and the 50-percent reduction proposed in the new tax bill represents a major saving to the average family.

ADJOURNMENT OVER

Mr. HALLECK. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet at noon on Monday next.

The SPEAKER. Is there objection to the request of the gentleman from Indiana?

There was no objection.

AUTHORIZATION TO SIGN ENROLLED BILLS

Mr. HALLECK. Mr. Speaker, I ask unanimous consent that, notwithstanding the adjournment of the House until Monday next, the Clerk be authorized to receive messages from the Senate and that the Speaker be authorized to sign any enrolled bills and joint resolutions duly passed by the two Houses and found truly enrolled.

The SPEAKER. Is there objection to the request of the gentleman from Indiana?

There was no objection.

SHOWING OF THE MOVIE, THE LONG CANE

The SPEAKER. Under previous order of the House, the gentlewoman from Massachusetts [Mrs. ROGERS] is recognized for 5 minutes.

Mrs. ROGERS of Massachusetts. Mr. Speaker, Mr. Higley, the Administrator of the Veterans' Administration and Admiral Boone, the Medical Director of the Veterans' Administration, have asked me to tell the Members of the House that on Monday at 3:30 at the Departmental Auditorium, Constitution Avenue between 13th and 14th Streets, there will be a showing of the movie called The Long Cane. It is very moving and beautifully played. It is a movie which portrays the training of a blinded veteran

Public Law 312 - 83d Congress
Chapter 102 - 2d Session
S. 2714

AN ACT

To increase the borrowing power of Commodity Credit Corporation. All 68 Stat. 30.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 4 of the Act approved March 8, 1938 (52 Stat. 108), as amended, is amended by striking out "\$6,750,000,000" and inserting in lieu thereof "\$8,500,000,000". Commodity Credit Corporation.
15 USC 713a-4.

(b) (1) The first section of such Act is amended by striking out the following: ", or insofar as practicable, the average market price of such assets during the last month of the fiscal year covered by the appraisal, whichever is the lower,". 52 Stat. 107.
15 USC 713a-1.

(2) Such section is further amended by adding at the end thereof the following: "Such capital impairment shall be restored with appropriated funds as provided herein rather than through the cancellation of notes."

SEC. 2. Section 4 (i) of the Commodity Credit Corporation Charter Act (62 Stat. 1070), as amended, is amended by striking out "\$6,750,000,000", and inserting in lieu thereof "\$8,500,000,000". 15 USC 714b.

Approved March 20, 1954.

